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Croats, Muslims Coordinate Negotiations Stance

AU2505162594 Zagreb VJESNIK in Serbo-Croatian 25 May 94 p 10

[HINA report on a statement by Kresimir Zubak, leader of the Bosnian Croat negotiating team, in Geneva; date not given: "'We Are Not Giving the Corridor to the Serbs'"]

[Text] "We have coordinated our positions with those of the Muslim delegation and established the starting points for the negotiations with the Serb side, but we do not expect that any significant progress will be made in the peace talks," said Kresimir Zubak, leader of the negotiation team of the Bosnian Croats, before the three-day peace talks between the delegations of the three warring sides and the members of the contact group for Bosnia- Herzegovina that, on the initiative of the United States, will be held beginning Tuesday evening behind closed door in Talloires, a French town near Geneva.

The Croat delegation, accompanied by the Croatian ambassador in Geneva, Dr. Miomir Zuzul, met with Bosnia-Herzegovina Prime Minister Haris Silajdzic on Tuesday morning in Geneva to establish a joint negotiating position regarding the territorial demarcation in Bosnia-Herzegovina.

Zubak said that the Croat and Bosniak delegations would support the maps established by the Vienna agreement, which anticipates 58 percent of the territory for the Bosnia-Herzegovina federation and 42 percent for the Bosnian Serbs. The Croat and Bosniak delegations are prepared to discuss the possibility of a compromise and the division of the territory into 51 and 49 percent, as stated in the European plan.

With regard to the so-called corridor, the position of the Croat and Bosniak delegations is that, in principle, the Serbs being given a corridor is out of the question, as the Croats and the Muslims would then also demand certain corridors going through Serb territories, said Zubak. However, he added, if the international community insists on this, there is a possibility of introducing free roads in Bosnia-Herzegovina, under UNPROFOR [UN Protection Forces] control, in accordance with the solutions contained in the Vance-Owen plan.

As far as the talks on the future political and legal organization of Bosnia-Herzegovina are concerned, we are prepared to discuss all the possible solutions, including the Serb side joining the federation, or a loose Bosnia-Herzegovina union consisting of the Croat-Bosniak federation and the future Serb republic, as stated in the Vance-Owen plan, said Zubak.

Delegations Meet With Contact Group

LD2605003294 Belgrade TANJUG in English 2301 GMT 25 May 94

["Pool" item]

[Text] Talloires, May 25 (TANJUG)—Foreign minister of the Bosnian Serb Republic Aleksa Buha said on Wednesday that the Bosnian Serb delegation told the contact group that a ceasefire must be established first in the former Yugoslav republic of Bosnia-Herzegovina, and that the territorial delimitation would be resolved later. The contact group for Bosnia-Herzegovina began separate talks in the French tourist resort of Talloires, close to the Swiss border, on Wednesday with two delegations—of Moslems and Croats and of the Bosnian Serbs.

The official platform for the talks is the Geneva declaration signed on May 13 by ministers of the United States, Russia and the European Union (E.U.), it was announced. Under this declaration, the warring sides in Bosnia-Herzegovina are urged to sign a four-month ceasefire, during which time they would agree on the division of the territory of former Bosnia-Herzegovina according to the E.U. formula of 49 percent for the Serbs and 51 percent for the Moslem-Croat federation.

In a statement to Bosnian Serb television, Buha said that the talks today had primarily focused on territorial delimitation. He said that the Bosnian Serb delegation had insisted that other criteria, in addition to the one of percentage of population, be also taken into consideration in the delimitation. These criteria include property, resources, and certainly, the one of functionality of the two future states in the territory of former Bosnia-Herzegovina—the Moslem-Croat federation and the Serb Republic, he said. According to land registers, 64 percent of the land in Bosnia- Herzegovina is owned by Serbs.

"It is my impression that the members of the contact group are very interested in these arguments and I believe that, if they have not accepted them, then that they have seriously taken them into consideration. It remains to be seen what will come out in the end," Buha said. The contact group includes diplomats from the United States, Russia, Great Britain, France and Germany.

Buha said that the Bosnian Serb delegation had made it clear at the very beginning that it considered the international conference on former Yugoslavia as the valid body, and that the contact group could only be a place where views will be exchanged and possible new suggestions be made. The members of the contact group "have accepted such a role and they did not have any greater ambitions than to be part of the diplomatic process within the conference on former Yugoslavia," Buha said.

Representatives of Bosnian Moslems and Croats said upon arrival in Talloires that they would demand 58 percent of the territory of former Bosnia-Herzegovina for their federation, but foreign agencies reported that they had agreed later during the day to discuss the division of territory on the basis of 51 percent for the Moslem-Croat federation and 49 percent for the Serb state. Bosnian Moslem leader Alija Izetbegovic announced ahead of the talks in Talloires that the Moslem side would negotiate and wage war until it wins 58 percent of the territory of former Bosnia-Herzegovina.

SDS Faction Walks Out of National Assembly

AU2505134394 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 25 May 94

[Report by correspondent Mariya Tsenkova from the National Assembly]

[Text] This is an Assembly session that will be decisive for the government. At the beginning of today's session Filip Dimitrov, leader of the Union of Democratic Forces [SDS], made a statement on behalf of his faction in which he asked Prime Minister Berov to resign. An attempt to repeat the no-confidence vote will be viewed by the SDS deputies as a violation of the Constitution. If this is allowed it will represent a danger for Bulgaria's democracy, Dimitrov said.

Replying to the statement, Velko Vulkanov of the Bulgarian Socialist Party [BSP] demanded that the 19 May vote on structural and personnel changes in the government be annulled, and asked National Assembly Chairman Aleksandur Yordanov to resign for what Vulkanov described as a violation of parliamentary practice.

BSL leader Zhan Videnov assured the hall—the SDS deputies and Aleksandur Yordanov had already walked out—that there will be a debate on the draft resolution proposed by the government on a framework agreement with parliament.

The political forces that support the cabinet are now holding consultations at the invitation of Prime Minister Berov, who still has not come to the National Assembly. It appears that the Movement for Rights and Freedoms [DPS] will participate in the consultations. The deputies of the New Alliance for Democracy [NSD] are divided. Part of them will probably participate in the consultations, while others demand separate talks with the prime minister.

Berov Begins Consultations With Parties

AU2505152794 Sofia Khorizont Radio Network in Bulgarian 1400 GMT 25 May 94

[Report by correspondent Mariya Tsenkova from the National Assembly]

[Text] The situation here continues to unfold. Prime Minister Lyuben Berov met in the parliament with Zhan Videnov, leader of the Bulgarian Socialist Party [BSP], and Ahmed Dogan, leader of the Movement for Rights and Freedoms [DPS]. After the meeting Dogan said that the DPS will support the framework agreement proposed by the government, if it is supported by at least four parliamentary factions. Dogan did not specify what factions precisely should support the agreement, but he does not exclude a situation in which the cabinet will have to resign.

According to Zhan Videnov, procedural issues were discussed at the meeting with Prime Minister Berov on consultations between the prime minister and the parliamentary factions.

Nora Ananieva said that real consultations are yet to be held, and it appears that precisely this is taking place at present at the National Assembly's West Hall, where the prime minister is meeting with BSP representatives and two representatives of the New Alliance for Democracy [NSD]. Mr. Oktay of the DPS entered the hall, saw what is happening there, left the hall, and refused to make any statements.

Dr. Yordan Todorov of the NSD said that he is attending the meeting as a representative of his faction, but the NSD will nevertheless insist on holding separate talks with the prime minister.

Deputy Ivan Pushkarov has not been offered the post of deputy prime minister. If signing an agreement is on the agenda, Pushkarov's people will not sign. It is not the business of the prime minister to make such moves, Pushkarov said. Several seconds ago Yunal Lyutfi of the DPS joined the meeting that is taking place at the National Assembly's West Hall.

Cabinet, BSP Adopt Berov's Framework Agreement

AU2505173994 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 25 May 94

[Text] At an extraordinary closed meeting today, the government adopted the draft framework agreement with the parliament that was proposed by Prime Minister Berov. It will be in effect until new parliamentary and municipal elections are held in the fall.

The Executive Bureau of the Bulgarian Socialist Party [BSP] and the leadership of the BSP parliamentary faction discussed the framework agreement. It was agreed to support the segment that deals with setting a term for early parliamentary and municipal elections in the fall. The Socialists will also support the commitments of the Council of Ministers in the social sphere and its efforts to successfully end the negotiations on the country's foreign debt. They think the amendments to the Privatization Bill and a program on social and mass privatization should be adopted in June, while the Law on Defense and Armed Forces, amendments to the Election Bill, the Municipal Administration Bill, the Judicial Act, and the Constitution should be adopted in July.

In the decision that was adopted the Socialists committed themselves to supporting the personnel changes envisaged in the framework agreement and have proposed a candidate for the post of deputy prime minister.

SDS: Constitutional Order 'Under Threat'

AU2605100794 Sofia Khorizont Radio Network in Bulgarian 0900 GMT 26 May 94

[Text] The news conference that ended a few minutes ago at 134 Rakovski Street [headquarters of the Union of Democratic Forces, SDS] in Sofia concentrated on the fact that constitutional order in the country is under threat.

Prime Minister Berov suffered a vote of censure on 19 May but failed to offer his resignation, SDS leader Filip Dimitrov declared. What is more, he added, parliament's refusal to accept the cosmetic changes proposed by the prime minister represent a new vote of no confidence in him, in the sense of Article 112, Paragraph 1 of the Constitution. Dimitrov added that Berov is also attempting to infringe on Article 8 of the country's basic law, which regulates the division of powers. In his view, the cabinet is therefore governing without legal foundation, while parliament is supporting this lawlessness. It is clear that in this dramatic situation we will demand standard solutions, Dimitrov declared, but he did not reveal the tactical steps that the SDS has in mind. He appealed to the media to be more energetic in acting to end the lawlessness in the country.

Podkrepa Union To Review Ties With DPS

AU2605143194 Sofia Khorizont Radio Network in Bulgarian 1400 GMT 26 May 94

[Text] Konstantin Trenchev, chairman of the Podkrepa Labor Confederation, today met with Ahmed Dogan, leader of the Movement for Rights and Freedoms [DPS], and informed him that continuing support for this cabinet is politically damaging and that the cabinet has clearly demonstrated its inability to rule the country.

After the meeting Konstantin Trenchev told reporters about this position. The meeting was requested by Ahmed Dogan. Probably at its next Federative Council Podkrepa will review its relations with the DPS, because it appears that the movement is cooperating with the Communists in its decision to support the cabinet, Dr. Trenchev said.

U.S. Intelligence, Staff in Slovakia Criticized

AU2605123594 Bratislava SLOVENSKA REPUBLIKA in Slovak 23 Mar 94 p 3

[Commentary by Pavol Janik: "What Is the IQ of CIA?"]

[Text] Apparently the question needs to be openly raised about the average IQ of CIA staffers and collaborators, particularly in Slovakia. The question is highly topical. It seems that, to this day, U.S. official quarters are not properly informed [nezorientovali sa] about the Slovak issue, which testifies either to the incompetence of its intelligence sources or to the provision of deliberately incorrect information to the U.S. political leadership by U.S. secret services.

After all, we are familiar with this situation from the era of so-called socialism when, in some of its stages, particularly in the fifties, political institutions were evidently manipulated by the state police. One cannot but hope that the former communist countries with the Soviet Union in the lead do not serve as an example for the contemporary United States in this respect. That also applies to the unerring selection of evident dummies for the vitally important security structures of the state.

The present state of affairs is borne out by the continuing practice of U.S. institutions to issue official information, according to which the situation in Slovakia is similar to that in the warring countries of the former Soviet Union.

Moravcik Defers Screening Government Members

AU2505160194 Bratislava SME in Slovak 21 May 94 p 1

["mh"-signed report: "According to Prime Minister Moravcik, the Abolition of the Screening Law Is Out of the Question"]

[Excerpt] Bratislava—[passage omitted] Asked by SME about his course of action regarding the request to have members of the coalition government screened, Prime Minister Jozef Moravcik replied that at present he cannot ask the Slovak Information Service [SIS] to issue screening certificates for government members because it would constitute an illegal act. Even though the prime minister had requested screenings, he did so on the basis of material law [hmotny zakon]. "After we realized that the procedural conditions had not been met, we agreed that the screening certificates would not be issued," Jozef Moravcik said.

Poll Notes 'Increase in Distrust of Politicians'

AU2605075494 Bratislava SLOVENSKA REPUBLIKA in Slovak 20 May 94 p 1

[TA SR report: "Growing Distrust of Current Political Leaders"]

[Text] Another increase in distrust of politicians is signalled by a public opinion survey carried out by the Slovak Statistical Office in the first 10 days of May. The percentage of respondents who did not find a single trustworthy person among Slovak politicians increased from 25 in April to 35 in May. In the survey, the Slovak Statistical Office approached a representative sample of 1,273 adult citizens of the Slovak Republic who were asked to name a maximum of three personalities active in political life [who they trust]. The table below contains the names of only those politicians who were identified in May 1994 as trustworthy personalities by at least 2 percent of respondents. No politician was trusted by 35 percent of respondents in May, 25 percent in April, and 31 percent in March.

	May	April	March
Vladimir Meciar	20	26	25
Jozef Moravcik	19	25	5
Michal Kovac	18	25	25
Peter Weiss	13	13	16
Ivan Gasparovic	6	10	7
Jan Carnogursky	6	4	6
Roman Kovac	4	7	3
Jozef Prokes	3	5	5
Vojtech Bugar	3	3	3
Mikulas Dzurinda	3	2	2
Milan Ftacnik	2	2	4
Milan Knazko	2	1	4
Rudolf Filkus	2	4	1
Pavol Kanis	2	1	2

[Bratislava PRAVDA in Slovak on 20 May on page 3 carries a 200-word "vy"-signed report on the above poll, which adds the following information: "Democratic Union supporters had the most confidence in Jozef Moravcik—75 percent, Movement for a Democratic Slovakia supporters in Vladimir Meciar—69 percent, Party of the Democratic Left supporters in Peter Weiss—59 percent, and Christian Democratic Movement supporters in Jan Carnogursky—51 percent. A total of 66 politicians were named by the respondents."]

New Movement Established, To Run Candidates

AU2605082594 Bratislava SMENA in Slovak 20 May 94 p 2

["ars"-signed report: "Tolerance Movement Established"]

[Excerpt] The Tolerance Movement [Hnutie Tolerancia, HT] was registered at the Ministry of Interior on 12 May. Two days later, it held its constituent congress. The movement's leadership, composed of chairwoman Anna

Galovicova, PhD, deputy chairman Lubomir Sausa, and secretary Imrich Ciffra, visited our editorial office yesterday to inform us about the plans and goals of this new political entity.

The movement was established as a force of harmonization, whose task is to free us of emotional conflicts and campaign and post- election struggles. The HT wants to run in the early parliamentary elections independently, but it is not opposed to cooperation with other political entities either. It has launched a petition campaign to obtain the required number of signatures to participate in elections to the National Council of the Slovak Republic. [passage omitted]

Zhirinovskiy Trip Cancellation Explained

AU2505183394 Bratislava SME in Slovak 20 May 94 pp 1, 2

[Report by Ivan Drabek: "Vladimir Zhirinovskiy Will Not Come to Slovakia"]

[Excerpts] Bratislava/Moscow—[passage omitted] Grigoriy Serebrennikov, press secretary of the Liberal Democratic Party of Russia [LDP] parliamentary group, informed SME by telephone about the circumstances of the sudden change in Vladimir Zhirinovskiy's program. According to Serebrennikov, Zhirinovskiy intends radically to limit his trips abroad in the future. The LDP leader decided not to travel to Slovakia under the impression of his visit to Saratov on Wednesday [18 May] where, according to Serebrennikov, he saw with his own eyes the dramatic situation the country finds itself in. "Factories are standing still, people have not received any wages since January, a social explosion is looming. Vladimir Volfovich reached the conclusion that his task is now to tour Russian cities and to talk to the people there so that, when the situation comes to a head tomorrow, they are able to orient themselves and seek a solution in support of the LDP," Serebrennikov said. According to the LDP press secretary, the trip to Slovakia has not been postponed but canceled. In the foreseeable future, there will not be a single opening in Vladimir Zhirinovskiy's busy schedule. [passage omitted]

[Bratislava PRAVDA in Slovak on 20 May on pages 1 and 2 carries a 500-word Vladimir Jancura, Boris Latta report, entitled "Visit Postponed Again," which provides a different explanation for the cancellation of Zhirinovskiy's visit to Slovakia. According to the report, Bratislava lawyer Jozef Lauko, who describes himself as "Zhirinovskiy's friend of long standing," told the PRAVDA reporters that three members of Zhirinovskiy's entourage "had problems with their travel documents. It seems that the 'AB-Sluzhebnaya' stamp, identifying holders of official passports, was missing in them." Lauko voices the assumption that the three men in question were Zhirinovskiy's personal bodyguards and that "for understandable reasons, the party leadership did not permit Mr. Zhirinovskiy to travel without bodyguards."]

Threat of Hungarian Autonomy in Schools Noted

AU2505195894 Bratislava SLOVENSKA REPUBLIKA in Slovak 20 May 94 pp 1, 2

[Article by Jergus Ferko: "How the Secret Pact Between Moravcik's and Duray's Coalition Is Being Implemented; No to Alternative Education—Yes to School Autonomy?"]

[Excerpts] We have already written about the coalition's political dependence on ethnic Hungarian parties. Even though government representatives claim that there is no secret agreement, facts prove the exact opposite. We have ascertained that the eight- point catalogue of Hungarian politicians' demands *was* the subject of Coalition Council talks and has been discussed at other important forums as well. The third point of the secret pact between Moravcik's and Duray's coalition reads: "To halt the organizing of alternative education in areas inhabited by Hungarians."

Let us recall: Alternative education (and not alternative schools as certain gentlemen imprecisely write) is quite normal in areas with mixed populations in the advanced world. Under this method, children learn not only their mother tongue but, at the same time, they also master the state language perfectly (see, for instance, the bright example of South Tyrol). Under this policy, some subjects are taught in the mother tongue and some in the state language. The parents decide what is best for their children. In Slovakia, however, the national minority politicians know better than the parents. [passage omitted]

On Wednesday [18 May], Minister of Education Lubomir Harach recalled Lydia Bencova from the post of director of the Department for Ethnic Education, without giving any reasons. Is it possible that the true reason was the dissatisfaction of the minister's "voluntary" advisers with Lydia Bencova because she had enforced the project of alternative education? The fact is that [ethnic Hungarian] deputies V. Bugar, J. Fothy, and A. Duka-Zolyomi are all very frequent guests at this ministry. [passage omitted]

In addition to the evidently functioning secret pact between Moravcik's and Duray's coalition, one can also discover at the Ministry of Education the phantom of proletarian internationalism. Virtually all the leading figures of this government department are distinguished by their "more than pink" political past (we may still return to this issue in greater detail in SLOVENSKA REPUBLIKA). Evidently the phantom of educational autonomy is also present there, which—as is known—represents one of the strategic goals of Hungarian policy in Slovakia. [passage omitted] After all, it is necessary to also fulfill the other points of the pact with Hungarian parties. For example, its point six reads: "To set up

minority departments at the Ministries of Education and Culture, within the framework of which there will be separate Hungarian sections...." Educational autonomy is thus beginning to acquire realistic features. Otherwise, the Hungarians, who hold the balance of power, might withhold their support, as Miklos Duray let himself be heard. Whether the Hungarian minority and, more specifically, Hungarian children, will derive any benefit from this is, apparently, an altogether different question. It is a question, for example, also for the president, who should not keep quiet when the state interests of Slovakia are threatened.

Central Bank Data on 1993 Balance of Payments

AU2605084394 Bratislava SME in Slovak 20 May 94 p 2

["is"-signed report: "Slovak Republic's Balance of Payments for 1993 Shows a Moderate Surplus, But at the Cost of Growing Indebtedness Abroad"—all figures as published]

[Text] Bratislava—According to the report on monetary development in the Slovak Republic in 1993, which has been drawn up by the Slovak National Bank [NBS], the consolidated balance of trade ended in a deficit of 31.961 billion Slovak korunas [Sk] ($1.038 billion), the balance of services in a surplus of Sk12.843 billion ($417.1 million), the balance of yields (interest rates, investments, wages of citizens working abroad) in a deficit of Sk1.17 billion ($38 million), and the balance of current transfers in a surplus of Sk3.077 billion ($99.9 million). The total balance of the current account of the balance of payments as the sum total of the preceding balances was therefore in deficit to the tune of Sk17.211 billion ($559 million).

After including the balance on the capital and financial account, which ended in a surplus of Sk17.790 billion ($675.9 million), and the item of mistakes and errors (minus Sk1.111 billion, that is, minus $58 million), the total balance of payments of the Slovak Republic ended in a surplus of Sk1.69 billion ($58.5 million). However, this positive result of the balance of payments is attributable, to a large extent, to credits taken abroad—the issue of NBS bonds to an amount of Sk7.6 billion, an IMF loan of Sk3 billion, a World Bank loan of Sk1.1 billion, import liabilities of the entrepreneurial sector of Sk8.7 billion, and the drawing on resources from commercial banks' lines of credit to an amount of Sk6.8 billion. The external indebtedness of the Slovak Republic increased last year, with the gross debt in foreign currency reaching $3.622 billion by the end of the year.

IAEA Notes Need for Improvements at Mochovce

AU2605110894 Bratislava PRAVDA in Slovak 21 May 94 p 2

[TA SR report: "The Concept Is Good, But...."]

[Text] Mochovce—Without further expert analyses and, most important of all, the realization of measures, the depository for radioactive waste being built near the Mochovce nuclear power station in Levice district cannot, given its present state, be considered prepared to meet the task assigned to it. This was stated, among other things, by Douglas Champ from Canada, the head of a team of International Atomic Energy Agency [IAEA] experts, at a news conference in Mochovce yesterday. Since the beginning of this week, the international group of experts has been studying in Mochovce all important aspects of radioactive waste storage at the depository adjacent to the power station, possibilities of enhancing the depository's safety, requirements for control, technology, and professional qualifications of the maintenance staff, as well as the progress of finishing work. The experts reached the conclusion that the concept of storing radioactive waste to be used at Mochovce is good and that, following the implementation of recommended measures, storage will be reliable and safe. According to Douglas Champ, the recommendations will encompass a wide range of ideas, ranging from design, construction, specifications of the waste, and measurement of limits, down to public relations.

Debate Features MSZP, SZDSZ Candidates

LD2605012294 Budapest MTV Television Network in Hungarian 1925 GMT 25 May 94

[Debate between Gyula Horn, leading Hungarian Socialist Party candidate, and Gabor Kuncze, leading candidate for the Alliance of Free Democrats, in the studio in Budapest; moderated by an unidentified announcer—live]

[Excerpts] [Announcer] Good evening, viewers. We are broadcasting a special edition of the election series, which presents party opinions. We have invited those heading the lists of the parties that were most successful in the first round of the elections. I greet here in the studio Gyula Horn, heading the list of the Hungarian Socialist Party [MSZP], and Gabor Kuncze, who heads the list of the Alliance of Free Democrats [SZDSZ]. [passage omitted]

[Announcer] Let us speak about the economy. [passage omitted] You have said that if you come to power, there will be no need for a 100-day grace period. I imagine you were hinting at economic issues. [passage omitted]

[Kuncze] I say there is no need for 100 days of grace because in my opinion the next government will have to take action immediately. Of course, this is not separate from the fact that it is necessary to be familiar with the situation that the next government will inherit. We also are of the firm opinion that a very detailed coalition agreement must be concluded because only on this basis will it be possible to coordinate positions in the future, to prepare a legislative program, to organize government work, and to ensure that there is a stable coalition behind the government. [passage omitted]

[Horn] Allow me to continue what Gabor Kuncze began. In my view, at the same time coalition talks are held it will be necessary to gain an idea of the country's situation, to gain an idea of what legacy awaits the new government. [passage omitted] Only then—on the basis of chapters such as the coalition agreement conditions consisting not just of economic matters but constitutional matters and others—will it be possible to define the most urgent tasks that must be accomplished by the end of 1994. Last, but not least, the next government must differ from the current one in that much should be done to simplify bureaucracy. This would facilitate the greater influx of working capital, which would facilitate ventures, and other. [passage omitted]

[Announcer] You emphasize an active economic policy. What measures do you intend to take?

[Kuncze] After a possible coalition agreement has been reached, after the conditions have been created for more effective government and parliamentary work, and after the legal amendments have been passed, there could be a need in 1994 for a supplementary budget. It is necessary to set to work immediately on amending the laws that regulate privatization. [passage omitted] The same applies to the legal package that regulates agriculture; it is necessary in this case to create a satisfactory system of market information, a satisfactory credit system, a system of support that can be used more effectively than now. Politics must withdraw from the villages and it must leave those involved in agriculture to work on the basis of their own knowledge and interests.

Remaining with the subject of 1994—the package of laws on self-government must be amended so that those running in the local elections can do so in accordance with the new conditions. The education laws ought to be reviewed. By way of example, we feel that the system of university tuition fees cannot be introduced beginning in September. Something must be done in connection with the question of the national curriculum.

In the second half of 1994 the parliament will have to enact amendments to the legislation on taxation. I am thinking here of tax reductions, tax concessions, and amendments of regulations to encourage investments, which will come into force as of 1 January 1995. The National Assembly this year will have to adopt the budget for 1995. [passage omitted]

Our opinion is that the proportions will have to turned around; greater emphasis must be placed on preparation of the laws, and the parliament, by working more effectively, must be able to enact the laws more quickly. [passage omitted]

[Announcer] Both of you have mentioned social responsiveness. It has particularly been stressed by Gyula Horn. [passage omitted] It is obvious that the trade unions might have a determining role. What is your opinion about this? Will this trade union interest succeed within the traditional and desirable interest coordination mechanism, or within the parliament, through a certain kind of trade union faction within the MSZP?

[Kuncze] The SZDSZ regards interest coordination—both with employees and employers—as a very important issue. In this respect, naturally, we accept the trade unions as partners. We also accept this certain social agreement with the interest representation organizations [referring to the MSZP's proposal], not without any reason, because this proposal was also included in the SZDSZ's crisis management program issued in 1991. [passage omitted]

However, this cannot happen in any way other than outside parliament, because the essence of this is that these agreements then have to be approved by parliament. Parliament, naturally, has an opportunity to exercise control over these agreements. We are not talking about automatic mechanisms here. Parliament's authority will remain in this respect. However, because the leaders of the largest trade unions will enter parliament on the MSZP's list, there is a danger that these interest coordination mechanisms will take place within the party, or perhaps within the MSZP's parliamentary group of deputies, and not in public.

We would not approve of this. We are in favor of openness in this respect. We accept and approve of this coordination outside parliament, with the involvement of the government and the trade unions. This certain economic-social agreement has to be reached with these conditions, and the widest possible range of questions should be included in this debate.

[Horn] This is a perpetual debate between us. [passage omitted] Assuming that the SZDSZ also wants a social market economy, it is obvious that the social partnership cannot be established without the trade unions. [passage omitted]

Another point is that the MSZP—within or outside the party—will not conclude any kind of pact with players in society which is not made public. Therefore, if we have any kind of stance in connection with the trade unions, or in connection with the earlier mentioned economic-social agreement, it will be entirely public. The SZDSZ will be informed about it as well as anyone else and the public. That is entirely true.

The third element—forgive me for saying it—that six of the 176 individual candidates running in MSZP colors were from the leadership of the National Federation of Hungarian Trade Unions, will not determine the Socialist Party's policy. I hope, however, that they will influence it. The party, which has had good relations with the representatives of trade unions for years, has an advantageous position. [passage omitted]

The Hungarian trade unions do not come up with impossible demands that cannot be fulfilled. They support all their demands with professional arguments. [passage omitted]

[Kuncze] I have to argue with you a certain point. I have to repeat that the interest coordination process has to take place outside parliament; it is a governmental task. I agree with you that the law on legislation has to be amended in this respect; the trade unions' rights have to be included. However, I would not consider it desirable if these coordination talks were also carried out within the parliament. It is the government's responsibility to conclude and observe these agreements. [passage omitted]

[Announcer] Forty-five minutes have passed. There remains a very important question—foreign policy. What role should the ethnic Hungarians living as minorities have in our relations with neighboring countries in drafting the basic treaties?

[Horn] In our view a basic treaty proclaims two fundamental points: One is the inviolability of borders, while—closely connected with this—the other is the full guarantee of the rights of the national minorities, the Hungarians, living there. That is one thing.

The other thing is that we naturally would coordinate the conclusion of such a treaty with the political interest representation organizations of the ethnic Hungarians living in the given country—whether the country in question is Slovakia or Romania.

My conviction is that what the MSZP (?says), that there should be historical reconciliation with neighbors, is unavoidable. The sooner we do this, the sooner we try to realize this in practice, the better. One can proclaim an awareness of our mission, one can say a lot about historical grievances—this will not lead anywhere. The sooner there is national consensus on the question of the necessity of historical reconciliation and, on the basis of this, on the need for an active relationship-building policy, the sooner we will be able to sort out our relationships and the sooner our country will become more secure.

I assert that we will be able to assist more the situation of Hungarians living in the given country.

[Announcer] I am also curious about the opinion of the SZDSZ.

[Kuncze] I agree that the basic treaties can be concluded only if on the other side, the satisfactory guarantees exist for the assertion of the minority rights of the Hungarians beyond the border. The problem is that because of this, it is very difficult to make progress in the conclusion of basic treaties. For this reason we also place emphasis on the need to take concrete, practical steps in every case when the opportunity arises—whether it is an economic matter, whether it is the opening of a university or an educational issue, or the issue of bilingualism, or other issues.

We emphasize the necessity of maintaining this dialogue. Otherwise these basic treaties are, indeed, important, and they should be concluded on the broadest possible bases. This is our political interest as well, because we can enter an integrated Europe only with settled relations with our neighbors. It is also our economic interest, because we could perhaps have markets there. If the economies of those countries improve, this will give rise to a suitable improvement for Hungarians beyond the border.

Until then, the Hungarian Government must handle this area with special importance. From here, we do not have to say how the organizations of the Hungarians beyond the borders should conduct their political activities. It is up to them to shape their politics. The Hungarian Government in power must accept what they have shaped, and it must always ask for the opinion of the organizations of the Hungarians beyond the border concerning the fostering of relations with neighboring countries.

Our interest is that they should seek their expectations where they were born, and that is where they should live a satisfactory existence. Allow me to add something: Our integration into Europe is important not just for us, but for neighboring countries as well. This will make those borders one line on the map, and this question will no longer be one that is subject to dispute.

[Announcer] A brief question in conclusion: How many seats do you feel you have a realistic chance of getting? Mr Horn?

[Horn] It is very difficult to predict, and I do not like to predict. I imagine about 170-180 seats.

[Announcer] Mr. Kuncze?

[Kuncze] We earlier aimed at repeating, at the minimum, our performance in 1990. That means about 90-100 seats in the next parliament.

[Announcer] Thank you for coming to the studio.

Horn Views Accident, Coalition Possibilities

AU2505134194 Budapest NEPSZAVA in Hungarian 24 May 94 pp 1, 2

[Interview with Hungarian Socialist Party Chairman Gyula Horn by Mihaly Bak; place and date not given: "Politics and Coalition Are Not Pure Mathematics"]

[Text] The Hungarian Socialist Party [MSZP] does not consider the issue of the accident closed, Gyula Horn has said. They wish to form a coalition with the Alliance of Free Democrats [SZDSZ], and this will have to be decided by the programs. Personal issues cannot be of major importance.

[Bak] The interior minister expressed his indignation because you had cast doubt over the police's unbiased investigation and had not excluded the possibility of premeditated attack. This phase of the investigation was closed last week. Are you more relaxed now?

[Horn] The television program "A Het" has adhered to its former practice and again failed to ask me. I would have told them that the police had not supported its claim with anything. This is the reason we do not consider the investigation closed. The statements made by the car's passengers were not taken into consideration.

[Bak] According to the police, apart from personal guard Jeno Zsidey, no one else mentioned any phenomena that might cast doubt on the accident verdict. According to our information, others have mentioned similar things.

[Horn] I am not familiar with the statements by the others, but I also saw the flash. I told this to the policeman in Miskolc. I am sorry the police issued a statement the day after the accident and it did not want to change this later.

[Bak] In fact, statements that were contradictory in certain details have been published.

[Horn] This is true. Make no mistake, we are not seeking anything in the background. We would have preferred the police to make an official statement when all details were known. This is one of the reasons the MSZP is not leaving events at that.

[Bak] According to a recent view, it is a conscious goal of the Hungarian Democratic Forum [MDF] for the MSZP to gain as big a majority as possible because then the SZDSZ would not join it in a coalition.

[Horn] I cannot see much change in the MDF's style. It continues to see the MSZP as its main opponent, although the MDF is unlikely to be in competition in the second round. It is useless to frighten the citizens with our "too much of a victory." We will find out after the elections who can work together with whom. Regardless of our results, we still want a coalition.

[Bak] Many members of the SZDSZ are worried that the MSZP will achieve a parliamentary majority on its own and then the SZDSZ will have very little say in the decisions.

[Horn] Politics is not pure mathematics. Those who are afraid of our "too much of a victory"—for example the MDF—take themselves as an example. In our view, a political style that is different from the current one is the basis of the coalition.

[Bak] In multiparty parliamentary systems, the decisive majority of a single party is undesirable.

[Horn] Very clear rules of cooperation are needed between the partners. What the Christian Democratic People's Party [KDNP] says, namely that it only bears responsibility for the government's decisions in proportion to its weight in the coalition, cannot be repeated. Without the KDNP, many harmful laws could not have been made. Anyway, what should we do? Shall we say to the voters that you have voted for us but do not do it again?

[Bak] On which points do you see much difference in the programs?

[Horn] It is important what we do with the distribution systems, namely the health service and social security. There is a difference in the programs on creating workplaces. In our view, it is not enough to stimulate the enterprises to create workplaces. We see this as an overall government program. In my view, there is a good chance of achieving agreement on this issue.

[Bak] In your view, how united is the SZDSZ in the desire to form a coalition?

[Horn] They have a big debate. I have spoken to many of their leaders in recent days. In my experience, some of them definitely want to participate in the coalition. However, it is impossible without compromises.

[Bak] The MSZP also has debates. To what extent will these influence the future talks?

[Horn] A small part of the membership and the politically influential people dispute the views of the majority. This equally applies to the so-called liberal and the

popular-national wings. Both of these are a negligible minority compared with the center but their voice is always louder.

[Bak] Do you agree that your accident was useful to a number of people in the party? To a certain extent, you have been pushed into the background compared to others.

[Horn] This would be true if I was mentally less able than before. I would not like to upset anyone but I am on the same level as before.

[Bak] Nevertheless, you are restricted from participating in daily politics.

[Horn] The doctors asked me to take it easy in the interest of rehabilitation. However, the injury did not influence the big issue. namely the elections that were decided a few days after the accident. I am to participate in a number of campaign debates in the coming days. I know that viewers will have some aesthetic hardship looking at my "spaceship gear." Perhaps some will believe that I get inspiration through this. As a matter of fact, in my view, it would not alter the results if the parties did not campaign between the two rounds. It is unlikely that people who have decided whom to vote for can be influenced now. The general public is not much interested in the messages sent by the political elite to each other.

Boross on Election Defeat, Future Government

AU2505195994 Budapest MAGYAR NEMZET in Hungarian 21 May 94 p 7

[Interview with Hungarian Prime Minister Peter Boross by Gabriel Oszy-Toth; place and date not given: "Governing Is Not a Triumphal March for Anyone—Boross on the Hungarian Democratic Forum's Election Fiasco, Handing Over Power, and Being in Opposition"]

[Excerpts] [passage omitted] [Oszy-Toth] In recent months the Hungarian Democratic Forum [MDF] has been talking constantly about the danger of a left-wing restoration. This was emphasized in all campaign meetings, interviews, and television interviews. Do you think that your election campaign was flawed?

[Boross] I do not believe that our campaign was basically mistaken. In my view, the electors did not vote mainly on the basis of the parties' campaigns. This is proved by the fact that in certain areas the Hungarian Socialist Party [MSZP] candidates did not even conduct a campaign—as we learned from their reports. Nevertheless, they automatically received the votes. It is a fact that, tactically, the MDF could have conducted a better campaign, I have no doubts about this. However, I do not think that this is a decisive factor. We had a stable government for four years, however, in the meantime, the opposition had time and opportunity to "consume" the MDF through its continuous attacks. Had there been four or five changes of government before, the MDF would not have been a constant target.

[Oszy-Toth] How did the Socialists manage to get 32 percent if they had not even conducted a campaign in many places?

[Boross] The masses were swept toward those who were most antagonistic to the government, with the clear hope that prices would decrease, pensions would increase, and it would be easier to make ends meet. The MSZP and the Alliance of Free Democrats [SZDSZ] both played up to this. It is a different matter that they are now slowly starting to reveal that not everything will be the way people believe. The next government is facing a difficult task because it has to live up to the wishes of the masses that they created and I do not think that they will be able to satisfy these wishes. [passage omitted]

[Oszy-Toth] Are you preparing for the second round, and do you trust that the proportions can significantly change?

[Boross] I am always hopeful, and not without a basis because public opinion on political parties is extremely changeable. For example, one week before the elections, public opinion researchers predicted 38 percent for the MSZP and much less for the SZDSZ. For some reason, a certain percentage of the votes went from the MSZP to the SZDSZ.

[Oszy-Toth] This is a possible conclusion.

[Boross] Indeed, this is only a play with logic, rather than an analysis. However, all along we had to fight with the disadvantage that Hungary is dominated by a media that does not appreciate our value system. [passage omitted]

[Oszy-Toth] In what kind of economic condition will you hand over the country? According to the MSZP, the country is in a much worse situation than it was in 1990 when they had handed over power. However, you claim that the country is in a better situation now.

[Boross] If an MSZP-SZDSZ coalition is made, then they will be saying jointly that the country is in a worse situation than it was in 1990, and this is the reason they are forced to take exigency measures that might not be to the liking of the population. However, for all unbiased observers, it is clear and evident that the country cannot be in such a bad situation because we completed some 60 to 70 percent of the inevitable changes. Four years ago, we received a country with a distorted ownership system, empty treasury, immeasurable tensions, and hidden unemployment. Those who now describe the country's situation as worse are actually seeking explanations for the measures to be brought that will be contrary to the promises made during the elections. [passage omitted]

[Oszy-Toth] MSZP Chairman Gyula Horn said many times that they are not sure about the country's situation and the parties that will form the government will possibly have some surprises.

[Boross] What was true in 1990 is not true now, nevertheless, I can hear the same statements. Let us remember that, in 1989, the Socialist government wanted to deny a $1.5 billion debt, but then it admitted it. I am thinking of [former Prime Minister] Miklos Nemeth's memorable announcement. The MSZP is aware of everything, we do not have secrets, we cannot even have any for certain reasons of personnel. This lack of trust is part of the category of political games because, when the opposition enters government, it will excuse itself by saying that it had taken over the country in an even worse than expected situation and that is why it cannot keep its promises. I am convinced that the past four years will not be a reason and an excuse the same way as the heritage of the previous 40 years was not accepted as an explanation from us. People who are voting in the hope of better living standards will sooner or later say that this is not what was promised. [passage omitted]

[Oszy-Toth] Can the MDF crumble or split? In the coming four years, it will have much fewer deputies in parliament.

[Boross] The MDF's membership acknowledged its defeat in a disciplined way. I hope that we will not have a split, although certain initiatives to upset our unity may be possible. The cost of this was shown by the fate of the Hungarian Justice and Life Party and Istvan Csurka. All in all, the MDF will have to renew itself, will have to assess the personnel and organizational issues, and it will have to become more modern and practical in the political struggle. In addition to this, the conclusion has to be drawn that the vast majority of the country's population was born after 1945 and became adults sometime after the mid-1960's. This public has a different attitude and does not appreciate the wounds of their forefathers. In spite of this, I am very happy that we fulfilled our moral obligation and implemented the compensation, even if the people who received compensation did not vote for us. [passage omitted]

Party Campaign Chiefs View Election Prospects

AU2505205694 Budapest NEPSZABADSAG in Hungarian 25 May 94 pp 1, 4

[Correspondent's report: "One Can Count on a Calm Election Finish"]

[Text] The second round of the elections will be held in less than a week. We asked the campaign heads of the parties that reached the 5 percent threshold about their plans until 29 May.

Balint Magyar, Alliance of Free Democrats [SZDSZ]

From the viewpoint of the election campaign, one cannot count on any special surprise in the coming period. Compared with the campaign before the first round, the current campaign between the two rounds is calmer, more meditative, and more argumentative. The SZDSZ will focus on the television and radio debates in the last week. In addition, the party will also organize local talk shows. According to our experience so far, the people came to like this political genre because it is more interesting and faster paced than the usual political meetings. Of course, just as until now, the SZDSZ continues to advertise on billboards, flags, in the radio, on television, and in the newspapers.

Istvan Eszes, Christian Democratic People's Party [KDNP]

We have 12 candidates still running in the second round. In places where we are not present, we will mainly support the candidates of the Hungarian Democratic Forum [MDF] and the Independent Smallholders Party [FKGP]. There is no sense in holding national meetings; therefore, we concentrate on local events popularizing our still running candidates, including new billboards and leaflets. Some eight to 10 of our candidates have real chances of obtaining a parliamentary mandate.

Mrs. Nagy Agnes Maczo, FKGP

Our campaign continues to be a puritan one. We are the party that spends the least, and we can prove this. Our advertisements from the first round will remain on the radio and television; we have no money for new ones, and we do not advertise in newspapers at all. Until the end of the campaign, we will hold at least two meetings, but generally four meetings, naturally, in places where our candidates are still running. The leading speakers at these festive meetings that attract large number of people are FKGP Chairman Jozsef Torgyan and myself. After the success of the first round, in addition to its own large camp of supporters, the FKGP can justifiably count on the votes of the members and sympathizers of the Agrarian Federation, with the exception of the chairmen of the agricultural cooperatives, as well as on the support of followers of the succumbed Hungarian Justice and Life Party [MIEP] and those who became disappointed in the MDF. Thus, we consider all our 47 candidates to be potential winners.

Karoly Herenyi [MDF]

In the remaining days until the second round, the MDF thinks it is important to draw attention to the dangers of a possible two-thirds majority government, where the role of the opposition could become only formal. The MDF acknowledges the fact that the voters sent this party into opposition, but the second round will decide whether the society wants a strong opposition or not. The campaign is also a period of promises and occasional irresponsible promises as well. With four years of government experience behind it, the MDF knows exactly what opportunities the new government will have. Therefore, it is our obligation to draw the voters' attention to the fact that there are quite a few unrealistic promises among the many promises made now. We do not want to change our campaigning style in the remaining period. Instead of central events, we only

regard as important to support our 98 individual candidates still running in the second round. We also want to see as many people participating in the second round as in the first round.

Imre Szekeres, Hungarian Socialist Party [MSZP]

In the remaining few days, the MSZP does not want to change its current campaigning style. It will not deal with other parties and their election results; instead, the MSZP will concentrate on making people aware of the solutions that we offer in case we form a government.

Janos Ader, Federation of Young Democrats [Fidesz]

After the withdrawals from the cooperation agreement of the liberal parties, there are Fidesz candidates in five individual electoral districts. The Fidesz supports them with local campaigns.

KDNP Official on Causes of Election 'Failure'

AU2505205794 Budapest PESTI HIRLAP in Hungarian 21 May 94 p 5

[Interview with Laszlo Varga, deputy chairman of the Christian Democratic People's Party, by Karoly Banhidi; place and date not given: "Everyone in the KDNP Comes to the End of His Mandate"]

[Excerpts] For the coalition parties, a shocking socialist-liberal advance emerged after the first round of the elections. The Christian Democratic People's Party [KDNP] has multiplied the number of its members in recent years. However, only 7 percent of citizens voted in favor of the KDNP, a party that represents Christian-national values. We asked KDNP Deputy Chairman Laszlo Varga about the causes of this unexpected failure.

[Banhidi] You declared repeatedly that, in the past, the Hungarian people never gave more than 16 percent of their votes to either the extreme right, the arrow-cross people, or the communists. In view of the results of the first round of the elections in which the Hungarian Socialist Party [MSZP] received 32 percent, what is your opinion about such an expression of the voters' will?

[Varga] Indeed, I mentioned this repeatedly during our campaign meetings in the capital and in the provinces. I also declared in front of prominent foreign guests present at the conference of the European Democratic Union in Budapest that they are now in a country where people never lost their senses and never gave more than 16 percent votes to either the arrow-cross people or the communists. And now, the Hungarian Socialist Party [MSZP] received as many votes as the arrow-cross people and the communists together. I see a simple explanation for this, namely that, in democracy, every government has to go if it is unable to deal with unemployment and inflation. Of course, there is no rule to this, and there is no exception to the rule either. People see and feel politics on their own skin and through the increase in their own expenses. Some 20 percent of our 2.5 million pensioners are living on the boundary of the subsistence minimum, and we have an unemployment rate of almost 500,000 people. In such a situation, these people cannot think further than everyday problems and subsistence. The citizens decided to have another government. This would take care of the election issue, but the situation is not that simple after all. No matter how many mistakes this government made, and every government makes mistakes, they are not the only ones that caused the problems; the fact that a socialist economy had to be turned into a market economy in the course of the change in the regime also had its share. The Hungarian population failed to consider and evaluate this.

[Banhidi] At least on the basis of the first round of elections, we can say that the socialist-liberal advance in Hungary is unique in Europe, and the consequences of this phenomenon are unpredictable....

[Varga] I agree that such an advance of the left and of the liberal trend is a unique phenomenon on the map of Europe. However, we set the pillars of democracy, and I continue to have confidence in the common sense of the Hungarian people. I regard the first round of elections a little as a mistake, haste, and even defiance, rather than a real stand in favor of the MSZP ideology. At the same time, in my opinion, one should not be afraid of a left-wing danger because, the left that is regarded as left in the classic sense of the word in Europe does not exist in Hungary. Rather, I see a danger in the fact that we do not yet know which, and how many, people there are in the MSZP who are still there from among the old communists. Although transformed, this party came from the past, and it is difficult to forget that.

[Banhidi] Many people think that the socialists' victory is also due to the exaggerated national and Christian line and manifestations of the coalition....

[Varga] It is possible that the national-Christian concept has become overused. One can overuse a slogan, but if this slogan has content, I think the use and depth of this slogan must affect the people. If we take the composition of our current population, people between 15 and 50 years of age make up 60 percent of the population. In the previous regime, these people grew totally disaccustomed to the national and Christian values or their internal content. Governments and powers come and go but, in a democracy, the people find out quickly whether the promises are really fulfilled.

[Banhidi] In evaluating the results of the first round, one can hear voices according to which a certain process of change has started in the KDNP and this could even lead to a change in the person of the party chairman.

[Varga] The mandate of everyone in the KDNP will come to an end this year. The debates are natural, and they were strong after the first round of the elections.

[Banhidi] Has any national committee member accepted personal responsibility?

[Varga] There has not been any one like that, and I did not hear of any calling to account. [passage omitted]

[Banhidi] There are people who think that those who voted in favor of the MSZP are confusing the concepts of settling accounts and revenge. The socialists have not yet announced their candidate for the position of prime minister, but Gyula Horn would accept the position if the MSZP members decided in favor of this....

[Varga] We do not yet know whether Gyula Horn will become prime minister; nor do we know yet whether the MSZP will get an absolute majority after the second round. The key position is now in the hands of the Alliance of Free Democrats [SZDSZ]. A lot will depend on their results. [passage omitted]

Army Commander Views Reorganization Tasks

AU2605075194 Budapest MAGYAR HIRLAP in Hungarian 21 May 94 p 3

["G.Z."-initialed interview with Major General Janos Deak, commander of the Hungarian Army; place and date not given: "The Reorganization of the Army Should Continue"]

[Text] [MAGYAR HIRLAP] What changes have taken place in the relations between the Army and society since the change in the regime? Are there any signs attesting to the fact that society now really regards the Hungarian Army as its own Army?

[Deak] We soldiers think that the relations between the Army and society are strengthened by numerous positive signs. This society did not like the Army. The foreign contacts and the foreign goals were well known. Many people questioned the need for military service. Today, the sensitivity of our society toward the problems facing our Army has become perceptible. The Army and the need for Army service are no longer issues debated in the civilian sphere. We must admit, however, that the extended Yugoslav conflict has greatly contributed to the strengthening of this view. The fact that only a fraction of the 65,000 young people conscripted annually ask for alternative military service shows the increased acceptance of military service.

[MAGYAR HIRLAP] The Army has not been properly financed in recent years. Its yearly budget was mostly set on the basis of the "principle of leftover" [maradekelv]. Do you see any chance of the new parliament recognizing the need for adequate support of the Army? What can you do for this?

[Deak] The inadequate financing of the Army started as early as the eighties. The budget did not make technological development possible; nor did it enable us to improve the living, working, and service circumstances, including soldiers' pay. In view of all this, it is understandable that we are happy to see that the Army received modern combat aircraft in exchange for the Soviet debts to Hungary, and we will be able to deploy a complete tactical air wing soon. We hope that the Russians will supply further technical equipment used by the Army and the border police in exchange for a part of the outstanding debt toward Hungary. Naturally, the soldiers are aware of Hungary's ability to carry burdens. However, I think that the budget should be drawn up in accordance with our tasks. The size of the Army, its composition, and its technical supply should be determined in accordance with its tasks. Our concepts regarding the future reorganization of the Army are ready.

[MAGYAR HIRLAP] Many people think that we are over the most difficult phase in the reorganization of the Army, and one should count on fewer conflicts than in the past years. Do you agree with this evaluation?

[Deak] I do not think that we are over the most difficult phase. There have been negative measures, but the period ahead of us will not be easier, because we must continue to reorganize the Army. We will submit the relevant plans to the new government and the new parliament. We would like to see ahead until the year 2010. There are numerous new elements in our plan. For example, we will attribute great importance to the rapid deployment forces. We want to strengthen both the size and preparedness of our staff of warrant officers. I would divide the existing Army into three main parts: rapid deployment forces, defense, and reserves. In the future, we envisage the introduction of a differentiated standing Army service coordinated with the above. At least 50 percent of the rapid deployment force would be made up of professional soldiers. I cannot envisage a shorter Army service than 12 months in these units and in the active defense forces. It would be irresponsible to make untrained soldiers carry out combat tasks. However, in the case of the reserves, we can envisage a reduction of the service. At the same time, we must modify the reserves, even by modifying the defense law if necessary. People who had served less would be called up for reserves duty more frequently.

[MAGYAR HIRLAP] The replacement and modernization of some military technology and weapons systems will become inevitable in the coming years. In view of the medium-term military technology development plan, where do you see possibilities of development first?

[Deak] Some 90 percent of our military technology is based on Soviet technology. At the moment, it seems that we have no other choice but to continue to purchase weapons from the East. We do not have the possibility of purchasing arms from the West. In addition, we would like to rely increasingly on the Hungarian industry. However, we must, anyway, purchase the most modern electronic systems from the West or the United States. Without this, we cannot fulfill the integration requirements. The priority is well known in this area: air defense, reconnaissance, radio-electronic combat, antiarmor systems.

[MAGYAR HIRLAP] Could the expected changes in the leadership of the Defense Ministry disturb the professional staff? Can you envisage a division in the Army similar to the one in our society along party lines?

[Deak] Any change in the defense and military leadership system can only occur according to the stipulations of the defense law. This law stipulates the management and leadership systems in details. No matter what changes occur in this house, the Army leadership system must be continuous, stable, and firm. The Army is above parties. We do not intend to interfere in government activity. We are waiting for the politician who will lead this ministry respectfully and be ready to cooperate. I think that both the minister and the leading officials will respect the idea of keeping a distance from politics. In my view, a wonderful staff of officers is currently serving in the Hungarian Army. I can say this not only in view of their professional knowledge, but also in view of their honesty, diligence, and readiness to accept sacrifices. I think all this is a guarantee that no division whatsoever will take place within the Hungarian Army.

Air Force Commander Comments on Air Defense

AU2605102994 Budapest NEPSZAVA in Hungarian 25 May 94 pp 1,3

[Interview with Major General Miklos Csurgay, commander of the Hungarian Air Force, by Antal Andrassy; place and date not given: "Poor Air Defense"]

[Excerpts] [passage omitted] [Csurgay] The technical equipment of our air defense, and the reconnaissance and interception tasks connected to this, undoubtedly cannot be said to be good, so in this sense, we indeed have nothing to celebrate. For many years there has been no money at all to modernize reconnaissance, interception, or armament. I cannot even remember when I last signed an invoice that would have given an opportunity for the tiniest modernization.

[Andrassy] And probably no one else can.

[Csurgay] This is true. We have seen some progress recently because we equipped six aircraft with friend-and-foe recognition systems that we developed, and we will also equip the MiG-29's with this. These MiG-29's that we received in exchange for the Russian debt were our only chance to significantly modernize our aircraft stock. At the same time, we have received 20 Albatross jet-propelled training airplanes, so we have managed to speed up our domestic training of pilots, which was started in 1993. We are planning to deploy the MiG-29 fleet from the autumn. In my view, this type of aircraft will more or less satisfy our needs until 2010. Especially if, again in exchange for the Russian state debt, we also received SZ-300 air defense missiles, which is a weapon equivalent to the famous Patriots. [passage omitted]

[Andrassy] We left the Warsaw Pact, so we "do not belong anywhere" just now. Has this impaired the effectiveness of our air defense? We are not receiving anything from anywhere; at most, we can get weapons that are sold by weight.

[Csurgay] We do not even get the ones sold by weight. Hungary is unable to buy any kind of new weaponry at the moment. At most we may receive something in exchange for the aforementioned debts. This is fortunate! As for belonging anywhere, my view is that, in spite of all the disadvantages, it is better if we prepare ourselves for a defense that is as efficient as possible, relying on our own resources.

[Andrassy] Can this create an opportunity for us to join the developed western world? So that we know, for example, what actually happened on the AWACS planes that are in service in our airspace due to the southern crisis?

[Csurgay] We are aware of the fact that they are here, we have constant contact with them. We certainly do not have the technical equipment to find out what happens on board and whether they participate in combat guidance. We have to make do with the information received from them. [passage omitted]

Minister 'Not Satisfied' After NATO Meeting

LD2605110194 Warsaw PAP in Polish 0943 GMT 26 May 94

[Text] Warsaw, 26 May (PAP)—While assessing Wednesday's meeting between NATO defense ministers and defense ministers of the countries who joined the Partnership for Peace program, Defense Minister Piotr Kolodziejczyk said today in Warsaw that he "feels something is lacking" after the meeting. "We are not satisfied with the Western countries' way of thinking," Kolodziejczyk told journalists.

In the Polish defense minister's opinion, the process of integration with the European Union [EU], the Western European Union [WEU], and NATO should run parallel and not, as the West wants, from EU membership through WEU membership to NATO. "Maybe we should even join the NATO alliance earlier. We have no time," Kolodziejczyk stressed.

According to Kolodziejczyk, the idea of Russian Defense Minister Pavel Grachev, who presented a proposal for a new system of European security at the meeting, a system based on close cooperation between the CSCE and the North Atlantic Council—must be given some thought. It should not, however, block the Partnership for Peace initiative, the minister said. Kolodziejczyk believes that many international institutions have been ineffective, including the CSCE, as the events in former Yugoslavia have shown.

Delayed Sejm Debate on Defense System Viewed

WS2605102694 Warsaw ZYCIE WARSZAWY in Polish 26 May 94 p 6

[Report by Luiza Kowalska: "The Army: When Will Deputies Discuss the Army; President Delays Defense Debate?"]

[Text] It is not very likely that the Sejm debate on Poland's defense system, the first in four years, will be held in June. The Sejm's National Defense Committee issued a statement yesterday, expressing its "concern over the prolonged work on the document on the fundamental problems for the defense system."

It was a few months ago that Sejm Speaker Jozef Oleksy promised the leadership of the National Defense Ministry [MON] to hold a debate on the defense system, the first in four years. MON Head Piotr Kolodziejczyk hoped that during the debate the deputies would say exactly how much money it would be possible to earmark for the Army in the next few years. There are many indications, however, that the deputies will not hold this discussion before the summer holiday break. Tbe reason for this is the delay of a document, which the government is supposed to submit to the Sejm for discussion—"On the Fundamental Problems of the Defense System."

The government is supposed to decide in this document who should steer the Army and what the scope of his powers should be. Originally the document contained two proposals: the president, as the commander-in-chief of the Armed Forces, steers the Army through the chief of the General Staff who is subordinate to him; the president controls the Army through the defense minister, to whom, in turn, as it is today, the chief of the General Staff is subordinate.

Even though everything seems to indicate that the government will accept the second option, at the last moment the president proposed that the National Defense Committee [KOK] should be consulted on this issue. The president supports the first solution, and the composition of KOK (most of them are supporters of Lech Walesa) guarantees that he will gain definite support there.

However, decisions of KOK are not final for the government. Thus, they will not influence its final choice and the session of KOK will only delay the submission of the document "On the Fundamental Problems of the Defense System" in the Sejm. This will probably defer the entire debate.

It is not very likely that the president will manage to win the support of the Sejm by stalling for time. All the major parties in the Sejm are in favor of the solution that is in force today and they declare that nothing will make them change their opinions. "We really do care about democracy," says Jerzy Szmajdzinski of the Democratic Left Alliance [SLD], asked about the possibility of backing the president's option. According to him, SLD will not change its mind, even if it counts on Aleksander Kwasniewski to be elected president soon.

If the debate is eventually held, the deputies would like to define in a special resolution what issues are most important for the Army. Janusz Onyszkiewicz of the Union of Liberty suggested yesterday that the resolution include the necessity of maintaining the apolitical character of the Army and leaving the responsibility for defense affairs with the government, especially with the defense minister.

Prospects for Trade Ties With Russia Viewed

WS2605122194 Warsaw GAZETA WYBORCZA in Polish 26 May 94 p 17

[Article by Jacek Pawlicki: "Eastern Barrier? Trade With Former USSR"]

[Text]*Over the next years, Russia will keep reducing its imports more and more because of the burden of paying back interest rates on foreign credits. So a program of expansion based on an exchange of oil and natural gas (which are strategically important to us) in return for food surpluses, should be put aside and instead, one must seriously think over strategies for regaining Eastern markets.*

Hopes expressed by left-wing politicians for rebuilding trade with Russia may come to nothing. All the signs are

that Russia—which is entangled in its own political and economic problems—has practically no interest in expanding its trade with Poland.

It is not known whether the "breakthrough" visit by Prime Minister Aleksandr Chernomyrdin [as published] to Warsaw—which was announced for May—will take place in June. There is more and more talk of July, but that will also depend on Russia's internal situation which keeps changing radically daily.

Zbigniew Okonski, deputy foreign economic cooperation minister, who was subjected to a "confession" before the Sejm Foreign Economic Relations Commission on 25 May, admitted that Chernomyrdin's visit would not be a step further in resolving the most important issues for both sides, that is, mutual debt levels, and a modern system for payments in trade.

Mounting Discrepancies

For now, all documents which are strategically important to us, are still subject to negotiation. The treaty on economic cooperation, which was signed in August 1993, and supposed to reverse the trend in mutual relations, has not even been ratified by Moscow. There is still no trade protocol for 1994. The Russians refuse to agree to use the method of barter applied in the past: Their natural gas in return for our food products.

There is still no agreement—which was announced by the two prime ministers in Moscow in April—concerning mutual supply of strategic merchandise in the 1994-2000 period.

The Russian concept of reexports does not allow for signing an agreement on military and technical cooperation. It is the same case with a protocol on mutual supplies of special equipment: We submitted orders for $25 million worth of merchandise, while the Russians are offering merchandise for just $4 million.

There is no news concerning a speedy settlement of mutual debts. The Polish and Russian commissions are said to be working on this very hard, but the issue will definitely not be resolved soon.

The Polish Finance Ministry is not eager to be hasty, anyway. The European Bank for Reconstruction and Development which was willing to financially coparticipate in reconstructing the system of Polish-Russian mutual payments, finally gave up since it was not able to find reliable partners among Russian banks.

Negotiations are still going on concerning the presence of our fishing boats in the Sea of Okhotsk. It has been agreed that part of them will leave, but the Russians do not feel fully satisfied yet.

Bad Memories

Many companies seem to think that Russia will gladly exchange its natural resources for our canned meat or pickled cucumbers. But past experience contradicts that. The famous "natural gas for food" transaction, implemented in 1992, may be a warning in that regard.

In return for food and agricultural products from Poland, we were supposed to receive 1 billion cubic meters of natural gas, with a possibility of increasing supply to 2 billion.

Due to misunderstandings on both sides, just 0.5 billion cubic meters of gas (worth $44.5 million) was supplied. On our part, the following was shipped East: 65,500 tonnes of apples, 93,500 tonnes of potatoes, 500 tonnes of garlic, 2,500 tonnes of pickled cucumbers, and 1,000 tonnes of canned food products. By the way, the last item mentioned did not come directly from Poland.

"There could be have been much more of the food"—Deputy Minister Okonski argued. According to the Foreign Economic Cooperation Ministry [MWGzZ], the "natural gas for food" contract backfired because the Russians wanted to receive foreign-made merchandise in addition to Polish products, but "they were not treated with understanding."

Hope About Credits

Both MWGzZ and exporters have high hopes about a draft law which was just approved by the government, concerning insurance on export contracts. This year, the government intends to spend 25 trillion zlotys (about $1 billion) on the guarantees, but it is not known whether—due to quite a high risk factor—Russia will be on the list of countries to which exports will be insured by the Corporation for Export Credit Insurance [KUKE].

Fortunately, there is still Belarus, the Baltic countries, and the Asian post-Soviet republics. For example, an agreement has already been initialled in the Finance Ministry concerning a $30 million credit for exports of our merchandise to Kazakhstan.

Poland will definitely not be able to tie up substantial means in credits and insuring trade with the East. Germany could afford to "sink" 18 billion German Marks in Russia (this is how much unpaid bills are worth—GAZETA WYBORCZA's note). Our KUKE will never be the German Hermes whose Russian liabilities reach 5 billion German Marks.

Yeltsin's Book 'Spills the Beans' on Walesa

LD2505223194 Warsaw Third Program Radio Network in Polish 2100 GMT 25 May 94

[Excerpt] [Announcer] "Yeltsin Spills the Beans on Lech Walesa" is the title given by the weekly NIE to an article on Boris Yeltsin's recent book: Notes by the President. The Russian leader writes that during last year's visit to Warsaw, he handed to the Polish side a file containing the entire Solidarity dossier. I asked our Moscow correspondent Andrzej Siezieniewski if he knew Yeltsin's book.

[Begin recording] [Siezieniewski] Yes, I have read through it. The excerpt you want to ask me about is indeed in the book, on page 180, in the chapter: Russia and the world, sub-heading: Lech Walesa and Vaclav Havel. It reads as follows: It is well-known that the KGB tried to oversee the destruction of the Solidarity trade union. I brought Lech Walesa—Boris Yeltsin writes—a copy of the documents of the Suslov Commission, the shadow leader of the Brezhnev Politburo. It was a whole dossier on Solidarity. Polish and Soviet KGB men analyzed in detail the whole truth about the leaders of the workers' movement. Sometimes it was terrible to read these documents, Boris Yeltsin says, because the KGB x-ray was so ruthless. I slapped the file with my hand and said: It is all here, take it. Walesa turned slightly pale—Boris Yeltsin recalls the moment he handed the Polish president the documents he had brought with him on his visit to Warsaw last August.

[Announcer] Have the Russia media given any information at all about what was in the documents President Yeltsin brought to Warsaw?

[Siezieniewski] No, there was nothing known about that. In any case, Boris Yeltsin did not give details about what was in the diplomatic luggage he took to Warsaw. It is certainly well-known that Boris Yeltsin had access to the KGB archives, and if he says that what he took with him and what he handed over to the Polish side contained, among other things, the dossier on Solidarity, then we can most probably believe him—although Boris Yeltsin is a politician, and one does not always play fair here, what is said does not always correspond 100 percent to the truth. [end recording]

[Announcer] I also telephoned Boris Yeltsin's adviser, Yuriy Leonov.

[Begin Leonov recording] Some sort of documents were handed over to President Walesa, but I do not know their exact content. In my opinion, insofar as they were handed over to the Polish side, only the Polish side can make the decision to publish the documents. [end recording]

[Announcer] I asked Minister Andrzej Zakrzewski of President Lech Walesa's Chancellery.

[Begin Zakrzewski recording] I have never entered into polemics with the NIE weekly and I will not do so, because I am one of those people who regard Jerzy Urban's weekly as journalistic folklore, although again I am not one of those people who underestimate that weekly's influence. However, regarding the substance of what you asked about, I know nothing of the file mentioned by your Moscow correspondent. I have Yeltsin's memoirs, I received them yesterday, but I have not read them yet—and the competent people, the only people who could give binding information, are abroad for the next four days, for they are in Switzerland. I have not the faintest idea about any file from the most secret Kremlin safe concerning the KGB's detailed study of the Solidarity leaders. I have not set eyes on it, and I doubt whether... [pauses] Well, maybe it does exist, but in any case I know nothing about it. [end recording] [passage omitted]

Katowice Miners: Solidarity 'Playing Politics'

LD2505211194 Warsaw Third Program Radio Network in Polish 2000 GMT 25 May 94

[Text] Recent Solidarity strikes in hard coal collieries ended in complete disaster and humiliation for the organizers and the strike became a way of playing politics by Solidarity leaders at the expense of miners. Such is the opinion of a mining team of the August-80 Free Trade Union in Katowice.

For the first time the government coerced the strikers' representatives to accept the fact that strikers would not be paid for the period of the strike. In the team's opinion Solidarity leaders promised the strikers that they would be paid for the period of the strike. Currently, however, they are avoiding responsibility for the effects of the protest.

TV Satellite Chief Seeks New U.S. Partner

LD2505193294 Warsaw PAP in Polish 1509 GMT 25 May 94

[Text] Warsaw, 25 May—Last year's initiative to relay TVPolonia satellite programs to the United States has ended in a fiasco, TVPolonia director Leszek Wasiuta, said today at a meeting of the Sejm Commission for Liaison With Poles Abroad and the Senate Commission for Immigration and Poles Abroad.

"We at TVPolonia are all taking the fact that we could not start relays in the United States as a personal failure. It is not because of the lack of goodwill from the Polish side; we failed because our American partner could not bear the burden," Wasiuta explained. An agreement with him was signed last year during the chairmanship of Janusz Zaorski of what was then state radio and television. The board of the Polish Television Company will have to decide whether to continue this initiative.

Wasiuta added that the issue now is "whether we should be looking for a partner by means of a Wall Street marketing bureau for between $5,000 and $15,000 a month and sign an agreement within three months, or whether we should apply the same method, that is, to get in touch with a Pole who does not give any guarantees but has goodwill." He said that TVPolonia management's option is to employ a professional company, which would look for a partner and check if "he has the money and power to sell the television." The acceptance of that option depends, however, on the board of the Polish Television Company.

In Wasiuta's opinion the relay of the program itself to America poses no problem. The issue is whether Polish Americans want to tune in to TVPolonia. "Production is a third of the success that depends upon the ability to sell the product," he said.

Satellite Channel Threatened

LD2505160694 Warsaw PAP in Polish 1156 GMT 25 May 94

[Text] Warsaw, 25 May—During today's meeting between the Sejm Commission for Liaison with Poles Abroad and the Senate Commission for Immigration and Poles Abroad, Leszek Wasiuta, the head of the satellite channel of Polish Television SA [TVP SA—TVPolonia], said his channel was under threat because its status was not legalized in the broadcasting law.

That is why, in his opinion, TVP SA is not expected to be interested in investing TVP SA profits in TVPolonia as at present. He says the fact that TVPolonia was set up under Janusz Zaorski, the former head of the state radio and television, who was in conflict with the National Radio and Television Broadcasting Council [KRRiT], may affect this.

Danuta Celinska, TVP SA head of programming, has given assurances that the board had no intention of closing down TVPolonia; on the contrary "it is at the heart of our deepest and greatest interests." Also, KRRiT Head Ryszard Bender said that the council was not interested in closing down TVPolonia.

Finance Ministry Predicts Lower Budget Deficit

WS2605110194 Warsaw GAZETA WYBORCZA in Polish 26 May 94 p 17

[Report by "sad": "Budget Deficit '94"]

[Text]*According to the Finance Ministry's public debt department, this year's budget deficit will most probably be in the range of 70 to 75 trillion zlotys, and not 83 trillion as the Budget Law states.*

The budget was designed on the assumption that interest rates on the National Bank of Poland's [NBP] refinancing credit will be 28 percent on the average.

"We know already at this point that it is not going to be the case," Piotr Dziewulski, director of the Finance Ministry's department of public debt, told journalists yesterday. A higher refinancing rate means that the cost of servicing the debt (meaning repayment of interest rates on bonds and discounts on Treasury bonds) will increase the budget.

On the other hand, the Budget Law clearly limits the cost of servicing the debt—it cannot exceed 73.8 trillion zlotys. So if budget revenue does not rise fast enough to be able to finance the higher costs of servicing the debt, then the budget deficit will have to be lower than was assumed up to now. Otherwise, the cost of servicing the debt would have to go over the 73.8 trillion-zloty mark, but that would require an earlier amendment of the Budget Law.

According to Director Dziewulski, instead of the 83 trillion zlotys planned in the Budget Law, the actual deficit may be between 70 and 75 trillion zlotys.

"I think that the average interest rate on NBP's refinancing credit will be 33 percent in 1994. I am assuming optimistically that NBP will conduct another reduction at the end of the year," Director Dziewulski added.

As of 18 May, 37.5 percent of the maximum allowed amount of the debt (73.8 trillion zlotys) was devoted from the budget for servicing the debt, whereas by the same date, budget revenue constituted 33.3 percent of the planned amounts for the entire year (for budget expenditures, the figure was 31.6 percent).

Bank Officials Comment on Foreign Competition

WS2605113194 Warsaw NOWA EUROPA in Polish 26 May 94 p 18

[Article by "P.S.": "Healthy Competition; Are Polish Banks Afraid of Foreign Competitors?"]

[Text]*Foreign banks do not constitute a major threat to Polish financial institutions—said Marian Krzak, chairman of the Association of Polish Banks during a meeting at NOWA EUROPA in April. "I do not believe that the foreign banks could enter Poland all of a sudden and comprehensively." Chairman Krzak thinks that their entry into our market is unavoidable, while their presence here may be an opportunity as it would force others to compete with them. What do representatives of Polish banks think of that competition? Are they afraid of it?*

I am not afraid of healthy competition—it can only change the market in a positive way—Wojciech Haase, deputy chairman of Bank Gdanski SA told NOWA EUROPA. But unfortunately, we have seen some negative phenomena recently: Some of the foreign banks active in Poland began applying dumping prices, which may have a bad impact on the market. For instance, use is being made of calculating mandatory reserves according to the status on the last day of a month. But sooner or later, fundamental principles of competition will be defined. Just like foreign banks, Bank Gdanski is trying to act according to international standards, mainly in the area of treasury operations. A code of principles to be applied on the money and foreign currency market, should ensure a fair play type of competition.

Pierwszy Komercyjny Bank in Lublin was established as an American bank. We are not particularly afraid of competition—said Barbara Rudzinska, the bank's press spokesman. Three years ago, we were high above the level of our Polish competitors even when it comes to architectural design. Our clerks were also of high quality and we tried to implant similar notions throughout our domestic branches. All these innovations successfully met the test of practice—our customers got to like us and other Lublin banks followed in our footsteps. We became a carrier of foreign competition ourselves. Of course,

what is on the outside is not everything. A program of bringing the bank back to health—which has been applied intensively—contains many new elements which increase our competitiveness toward both domestic and foreign banks.

Competition from foreign banks is an issue of the future broadly speaking. So banks have time to get ready for it. That will occur as the system's consolidation continues—in which Kredyt Bank actively participates: Some examples are Bank Ziemski, Bank Regionalny in Rybnik, and there may be another similar move in the near future—says Tomasz Uchman, Kredyt Bank's press spokesman. Facing up to the competition also entails a need to strengthen capital. Our bank can be an example to follow also in that regard. The issue of shares was carried out successfully, the bank's credibility will now be confirmed and publicly verified through the stock market. Thanks to the operation, our own financial means increased to over 1 trillion zlotys, which is high for Poland. It is also worth mentioning that Kredyt Bank has established reserves for lost credits in the amount required by the National Bank of Poland [NBP] as early as at the end of last year, that is, before the issue prospectus was published. True, it caused a drop in our results—with net profit amounting to just 19 billion zlotys—but the reserves at the level of 230 billion zlotys increase our credibility. This year, reaching the planned profit of 100 billion zlotys, seems realistic. In our activity, we try to make other indicators—those of solvency, security, or the level of bad debts—comply with NBP's requirements and regulations of the European Union [EU]. Once Poland becomes EU's member, only strong, secure, and efficient banks will be able to meet the challenge of competition.

Professor Andrzej Olszewski, deputy chairman of Prosper Bank SA, is probably the only pessimist among bankers: Foreign banks have greater capital at their disposal—which they can direct toward profitable activities—and that is competition. Polish banks can finance ventures using share capital and their own assets, while foreign banks have the possibility to earn bigger money. As far as the competitiveness of services is concerned, foreign banks are not particularly interested in deposits by individuals, but in financing merchandise and investment turnover. They have sufficient capital for that, while Polish banks have to receive deposits from the population in order to accumulate such capital levels. The population in turn is looking for security that foreign banks and those banks that have NBP's guarantees, are more likely to provide, not—as a general rule—privately-owned banks.

Central Bank's Role in Saving Smaller Banks

WS2505143494 Warsaw GAZETA WYBORCZA in Polish 25 May 94 p 18

[Article by Konrad Sadurski: "NBP's Mandatory Empire"]

[Text]*The National Bank of Poland [NBP] has invested over 4 trillion zlotys in savings banks that almost went bankrupt. That amount was enough to enable NBP to take control of several privately-owned banks, which is the reason shareholders in those banks are suing NBP, and why some politicians are critical of the central bank.*

So far, NBP has invested over 1.650 trillion zlotys in savings in the Pierwszy Komercyjny Bank in Lublin. Then, NBP supported the bank with an additional 150 billion zlotys, to enable it to take over the Poznan-based Merkury bank.

Saving the Lodzki Bank Rozwoju cost NBP at least 1.152 trillion zlotys, for Prosper Bank the figure was 950 billion, and for Interbank—about 130 billion zlotys. NBP also provided financial assistance to Warsaw-based Gecobank for its takeover of Baltic Bank.

Anti-Bankruptcy Nationalization

"Instead of privatization of the banking sector, we are dealing with the repeated nationalization of some banks, conducted by NBP. In addition, these NBP expenditures are outside the control of parliament and the government," politicians say. Some of them also stress that this way, NBP is spending taxpayers' money. But NBP refutes the accusations by saying that the money for saving the banks comes from issuing additional money.

Politicians also hold it against NBP for having persisted so vigorously in its position that the money supply should not exceed 150 trillion zlotys this year; NBP also refused to lend more than 35 trillion zlotys to finance the budget deficit, and given all that, it still decided to devote about 3 trillion zlotys to save banks without much hesitation.

"Will this not cause an over-the-plan price increase?" politicians ask. NBP says definitely not, because it had taken the amount into account while planning on inflation levels. It explains that making an application for declaring bankruptcy by a large bank, could lead to a classic run on banks which would cause a domino effect and bankruptcies by more banks. /The first symptoms of a run on banks could be observed after the submission of an application for bankruptcy by Interbank and Baltic Bank,/ NBP reminds. It hopes that by taking over financially "sick" banks, it will succeed in protecting the entire system from customer panic.

NBP assures that after bringing a bank back to health, it will sell its shares, maybe even through the stock market. It admits that the process of bringing a bank to health may last a few years, but—according to NBP's expectations—perhaps someone will agree to invest in a bank which currently brings no profit but will in the future.

Clouds Over Empire

NBP's measures are supported by the Association of Polish Banks of which almost all the country's banks are members. The association admits that it has itself tried

to convince the central bank to financially support Interbank, and also to facilitate Gecobank's takeover of Baltic Bank. But some bankers are amazed at the fact that NBP—as the supervisor of the banking sector—also controls those banks in which it is a shareholder itself. "Regardless of the factual circumstances, this casts a shadow over supervisory activities," bankers say, and they suggest that supervision over banks be taken out of NBP's structures.

Also shareholders of the banks which are taken over, are critical of NBP. They do not like that NBP devotes almost the whole share capital of a bank which is subject to takeover, to cover the bank's losses. Despite the fact that—as NBP assures—such utilization of share capital is in accordance with the Code of Commerce, shareholders of the Lodzki Bank Rozwoju and of Lublin-based Pierwszy Komercyjny Bank, have filed a law suit against NBP.

NBP assures that takeovers of banks facilitate the regaining of credits. In both cases of the mentioned banks, about 100 billion zlotys each were regained from shareholders and the management so far.

PRC Power Industry Delegation Concludes Visit

LD2505165394 Warsaw PAP in Polish 1148 GMT 25 May 94

[Text] Warsaw, 25 May—A three-day visit by a Chinese power industry delegation, headed by Deputy Minister Lu Yanchang, concluded on 25 May with the signing of an agreement on cooperation between the Polish Ministry of Industry and Trade and the Ministry of Power Industry of the People's Republic of China.

A working group to coordinate bilateral economic, trade, and technical and scientific cooperation in the power industry was set up. "We are interested in broader cooperation with the Chinese power industry and in trade with China. Investment credits will be granted for this purpose", said Herbert Gabrys, deputy minister of trade.

Serbs Accused of Violating Sarajevo Cease-Fire

AU2605094394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 26 May 94

[Report by Sead Susovic from the Information Service of the 1st Army Corps]

[Excerpt] Counting probably on the factor of surprise, the chetniks carried out a strong attack on the city's defense lines in the Hladivode region late last night. This futile attack began with fierce shooting from light infantry weapons. The chetniks then started gradually to introduce anti-aircraft guns and machineguns, mortars, and similar types of weapons. The fighting culminated with the infantry attack, which the ever ready defenders of Sarajevo uncompromisingly repelled, forcing the chetniks to return to where they set off on their night adventure. The town is quiet this morning, but one must not forget to remain cautious.

The Ilijas front, which has been simmering with chetnik attacks for several days, was subjected to a fierce artillery attack during which more than 100 shells landed on [word indistinct] Brdo, [words indistinct] and other places in the free territory. The chetniks also carried out attacks from artillery and armored mechanized weapons from their position in Nisici, (?Buljetovac), Medojevici, Nabozici, (?Pudraz), and Duboki Potok. There are dozens of these weapons in this region. They are mainly inside the Sarajevo 20 km zone. [passage omitted]

Woman Reportedly Killed by Muslim Shelling

LD2505202194 Belgrade TANJUG in English 2008 GMT 25 May 94

["Pool" item]

[Text] Sarajevo, May 25 (TANJUG)—One woman was killed and 13 people were wounded in a Moslem artillery attack on the Sarajevo front on Tuesday [24 May] which grossly violated the truce, Bosnian Serb military sources have said. The command of the Sarajevo-Romanija corps of the Bosnian Serb army specified that Moslem forces fired 13 82mm-calibre mortar shells on the Srednje district on the Sarajevo-Olovo road and that one shell fell near a bus. The shell explosion killed one woman and injured 13 passengers, two of them seriously.

The woman was the 32nd victim in Serb-controlled areas of Sarajevo since a truce for Sarajevo was signed on February 9 this year and the city was proclaimed an exclusion zone under protection of the United Nations Protection Force (UNPROFOR), the Bosnian Serb military sources said. The sources also said that 79 people were wounded in Moslem attacks, mostly from small arms, rifles with telescopic sights, and grenade launchers. The Moslem side is constantly violating the truce, primarily as a result of the complete lack of action by UNPROFOR who have not once reacted to warnings sent by the command of the Sarajevo-Romanija Corps of the Bosnian Serb army, the command said.

TANJUG: U.S. 'Admitted' Muslim Violations

LD2605100794 Belgrade TANJUG in English 0928 GMT 26 May 94

["Pool" item]

[Text] Washington, May 26 (TANJUG)—U.S. State Department spokesman Mike McCurry said on Wednesday [25 May] that the Bosnian Muslims and Serbs were testing the resolve of the U.N. Protection Force (UNPROFOR) and of NATO as regards the Sarajevo and Gorazde exclusion zones and added that the United States was concerned when any of the sides violated the zones. This is the first time that the U.S. has officially admitted that the Bosnian Muslim army is using the exclusion zones for launching attacks and provocations.

Commenting a statement by Bosnian Muslim leader Alija Izetbegovic that his government would ask Washington to take a definite stand on the European proposal for the territorial division in Bosnia-Herzegovina before making its own decision on the issue, McCurry said that Izetbegovic was familiar with the U.S. stand on the proposed peace settlement. Foreign ministers of the United States, Russia and the European Union called on the Bosnian warring sides on May 13 in Geneva to agree to a four-month truce, during which they would divide the territory according to the E.U. formula: 49 per cent of the territory for the Serbs and 51 per cent for the Muslim-Croat federation.

McCurry said that, in its diplomatic contacts on all levels, Washington had informed the Muslim leadership not only of the division formula but also of the U.S. readiness to actively participate in maintaining peace once the warring sides reached a peace agreement through dialogue. The Bosnian Muslims and Croats came to Wednesday's peace talks on Bosnia in Talloires, France, with the demand for 58 per cent of the territory.

Muslim Attacks on Serbs Reported in North

LD2605000794 Belgrade TANJUG in English 2339 GMT 25 May 94

["Pool" item]

[Text] Doboj, May 25 (TANJUG)—Moslem forces on Wednesday [25 March] continued attacking Serb settlements and army positions in the northern part of the former Yugoslav republic of Bosnia-Herzegovina, which was also confirmed by the United Nations Protection Force. The most intensive Moslem fire, from all available infantry and artillery weapons, was reported on the Teslic front, Bosnian Serb Army sources said. Serb Army units were forced to return fire in order to protect lives and positions.

Moslem forces fired 11 shells on Teslic itself but the attack fortunately caused only damage to local facilities without any casualties. On the southern part of the Teslic battlefront, a large Moslem terrorist group was sent to

penetrate deep into the Serb territory and carry out silent liquidation of Serb civilians and other terrorist actions, Bosnian Serb Army sources said, adding that the group had suffered a heavy defeat after walking into a mine field.

The group left behind much of their equipment while trying to escape and take the wounded with them. On the Ozren battlefront south of Doboj, Moslem forces opened infantry and sniper fire on Serb settlements and, after massing troops in the vicinity of Serb defence lines on the south-western part of the front, made frequent and violent reconnaissance missions, said Serb Army sources.

Bosnian Serb Army units were forced to return fire and prevent this kind of activity, they said. On the southern part of the Vozuca battlefront, Moslem forces opened strong artillery fire on Serb positions after bringing in fresh troops. The Serb Army returned fire, it was announced.

Moslem assaults were also reported on the Trebava front.

Moslem and Croat forces in northern Bosnia-Herzegovina are preparing an offensive whose aim is to cut the land corridor linking the eastern and western parts of the Bosnian Serb Republic.

UN Observes Continued Army Offensive

AU2505123094 Paris AFP in English 1200 GMT 25 May 94

[Excerpts] Sarajevo, May 25 (AFP)—Moslem-led Bosnian Government forces Wednesday [25 May] pressed on for the second day an offensive against Serbs west of Tesanj, in the north of the country, the UN Protection Force [UNPROFOR] said here. [passage omitted] On the ground, EC observers reported that Tuesday's fighting, which involved artillery exchanges, left at least three dead among government forces and nine among civilians, according to Major Rob Annink, spokesman for UNPROFOR. Annink also pointed to the presence of three tanks, two of them Soviet model T-84s, in government lines, the first time they had been noticed in the region. He was unable to say whether the tanks were part of the Bosnian Army's armor or whether they had been borrowed from local HVO [Croatian Defense Council] Croat forces, now their nominal allies.

The Bosnian forces were pushing westwards, towards the Serb-held town of Teslic, possibly in order to seize some strategic heights and so bolster their defensive positions, Annink said. The government attack was a "limited" one, but was "well prepared and continuing," he said.

Further north, calm returned to the outskirts of the Serb-held town of Brcko, an area linking western Bosnia to Serbia. On Monday, government forces fired 10 shells at the town, five of which hit a power transformer, Annink said. Elsewhere in the country, there were clashes in the Bugojno and Turbe regions of central Bosnia and near Kladanj and Dastansko, northeast of here. [passage omitted]

Abdic's Men Allegedly Trained by Yugoslav Army

AU2605110294 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 26 May 94

[Text] The news that has leaked from the self-proclaimed Yugoslavia has caused enormous dissatisfaction and protests among Velika Kladusa residents. Fikret Abdic has gone so far with his collaboration with Serbia and Milosevic that he has reached—course, well away from the eyes of the people of the Cazin Krajina—agreement on the training of Kladusa young men in the famous barracks of the army of the so-called Yugoslavia in Nis, where the special units of the Serbian aggressor army are trained. This was stated by the Information Service of the Ministry of Internal Affairs of Bosnia-Herzegovina.

Instead of being in the units of the Army of Bosnia-Herzegovina, the young men from Velika Kladusa are learning together with Perisic's and Mladic's special units all the techniques of killing the Bosniaks. This has caused disgust and open disagreements of ordinary people in Velika Kladusa with Babo [Fikret Abdic].

According to initial reports, Abdic has sent a group of policemen of the self-proclaimed Autonomous Province of Western Bosnia for training in Nis. Some men refused to go to Nis. The most disobedient were liquidated. Their murder was concealed with claims that they were killed in clashes with the 5th Army Corps of the Army of Bosnia-Herzegovina.

The agreement on training is only part of a much wider agreement between Fikret Abdic and the chetniks. They agreed that Abdic's paramilitary should attack the left and the chetniks, via Grabez, the right bank of the Una River. This was stated by the Information Service of the Ministry of Internal Affairs of Bosnia-Herzegovina.

Government To Assume Federal Duties Temporarily

AU2505195394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 25 May 94

[Text] The Bosnia-Herzegovina Government at today's session, which was chaired by Deputy Prime Minister Edib Bukvic, passed the [word indistinct] Law on the Government of the Republic of Bosnia-Herzegovina, the Law on Ministries and Other Offices of the State Administration, the Law on the Government of the Bosnia-Herzegovina Federation, and the Law on Ministries and State Administration Offices of the Federation.

Until a final peace agreement for Bosnia-Herzegovina is reached, the Bosnia-Herzegovina Government will perform the role of the government of the Bosnia-Herzegovina Federation. The government will consist of a prime minister, a deputy prime minister, 11 ministers

to oversee ministries, and four ministers without portfolio. The deputy prime minister will also act as the defense minister. The ministers in charge of ministries must ensure that their deputies do not come from the same constituent ethnic group as them.

The Ministry for Special Purposes Production, the Ministry of Economy, the Ministry of Reconstruction and Development, the Ministry of Environment, the Ministry of Transport and Communication, the Ministry of Trade, and the Ministry of Information will cease to exist.

Based on the Bosnia-Herzegovina Constitution, the internal structure of the territory with a majority Bosniak and Croatian population in the Republic of Bosnia-Herzegovina has been transformed and a segment of the executive functions of the federation allocated to the government of the Bosnia-Herzegovina Federation. The ministries of the federation are: the Defense Ministry; the Ministry of Internal Affairs; the Ministry of Foreign Affairs; the Ministry of Finance; the Ministry of Justice; the Ministry of Energy and Industry; the Ministry of Transport and Communications; the Ministry of Urbanism, Resources, and Protection of Environment; the Ministry of Trade; the Ministry of Refugees and Social Policy; the Ministry of Health; and the Ministry of Education, Science and Culture.

The Bosnia-Herzegovina Government also passed a draft law on the Official Gazette of the Bosnia-Herzegovina Federation.

Official Claims Persecution of Serbs in Tuzla

LD2505163994 Belgrade TANJUG in English 1214 GMT 25 May 94

["Pool" item]

[Text] Zvornik, May 25 (TANJUG)—The Serb population of Tuzla, Moslem-controlled industrial town in northeast Bosnia, has recently become, along with the persecution initiated long ago, the subject of unprecedented trade, TANJUG learned on Wednesday from Vojislav Djurkovic, the representatives of a State Commission for the Exchange of the Population. Djurkovic said that Serbs who want to leave the Tuzla area have to pay between 1,000-1,500 German marks per person. The Tuzla area is a specific prison for the Serbs, Djurkovic said and added that it is believed that 20,000 Serbs still remain in the region.

Both the world public and the humanitarian institutions have shown insufficient interest in the destiny and salvation of the Tuzla Serbs, although the U.N. Protection Force (UNPROFOR) Commander for Bosnia, General Philippe Morillon, had promised to enable them to leave for the Bosnian Serb Republic (RS), Djurkovic recalled. The issue of the Tuzla Serbs remains open, but the opening of the Tuzla airport, allegedly solely for humanitarian purposes, remains in the focus of interest of many in the world, he said.

About 7,000 Serbs and other nationals have so far left Tuzla through official exchanges with RS and Yugoslavia, while another 3,000 civilians have fled mainly individually via the front lines, Djurkovic said. Quoting eye-witness reports, Djurkovic said that numerous Serbs had been liquidated such as in cases when they were forced to cross mine fields when leaving Moslem-controlled territories for RS.

The Tuzla refugees, who also include Croats, claim that the Serbs have been stripped of all their rights in this town. Many were killed, imprisoned, tortured and humiliated with the tacit agreement of the Moslem local and regional authorities, Djurkovic said. He said that many Tuzla Serbs are literally living in the streets since the authorities have evicted them out of their homes so that now they roam the town without food and clothing.

The months-long persistent attempts by the Serb side to convince the Tuzla authorities to agree to an exchange of the population, remain futile. The Serb side, primarily motivated by humanitarian reasons, decided to unilaterally organize the reunification of separated families, i.e. to enable the arrival in Tuzla not only of Moslems living in Semberija, where they live in freedom and safety, but also of those from the territory of the Federal Republic of Yugoslavia who wish to leave, Djurkovic said.

The exchange is in preparation and should be attended by the representatives of international humanitarian organizations, he said.

Mesic on Election of New Assembly Chairman

AU2505155994 Zagreb VECERNJI LIST in Serbo-Croatian 25 May 94 p 3

[Interview with "Assembly Chairman" Stipe Mesic by D. Ujevic; place and date not given: "'I am the Assembly Chairman'"]

[Text] After the Chamber of Representatives elected Dr. Nedjeljko Mihanovic as the new Assembly chairman with 74 votes, we asked Stjepan Mesic to give us a short comment on the decision.

[Ujevic] Mr. Mesic, do you still consider yourself to be the Assembly chairman?

[Mesic] Yes. The Assembly chairman cannot be replaced at illegal sessions, regardless of the Rules of Procedure and the Constitution. Ultimately, that would mean that the Assembly chairman could be relieved of his duties by any group of representatives whenever they wanted to, or by any club of representatives.

[Ujevic] You will therefore treat this Chamber of Representatives session as that of the club of the HDZ [Croatian Democratic Community] representatives?

[Mesic] Yes, precisely, although the whole thing did have a certain form. However, as it all happened while I was in the Assembly building, the decision is illegal.

[Ujevic] What could be the repercussions of this situation? You obviously do not consider this issue closed.

[Mesic] I do not know what the consequences could be, but I am Assembly chairman until the new chairman is legally elected.

[Ujevic] Will you continue to act as the Assembly chairman?

[Mesic] Of course, how else?

[Ujevic] Does that mean that you could approach Dr. Nedjeljko Mihanovic and ask him to leave the position and let you take over?

[Mesic] If I convene a session, then I am the legitimate chairman.

[Ujevic] What if you are asked to move out of the Assembly chairman's room?

[Mesic] You mean, if I am evicted? Who would do that, Nedjeljko Mihanovic?

Granic Presents Report on Foreign Policy

LD2505153294 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 25 May 94

[Excerpts] International political and financial support to Croatia depends to a considerable extent on the implementation of the Washington agreement, Mate Granic, deputy prime minister and foreign minister, said today in the Parliament's House of Counties, where he presented his report on current Croatian foreign policy issues. [passage omitted]

Among other things, he stressed that extensive diplomatic activities were under way to simultaneously resolve the crisis in Bosnia-Herzegovina and reintegrate the UN protected areas into the Croatian legal system and to ensure that the sanctions against Serbia are linked to the progress in the talks on the UN pretected areas. He described the Vienna talks on the implementation of the Washington agreement as extremely important. He also mentioned, as he put it, good relations between Croatia and its neighboring European countries, and in particular with the United States, and went on to stress that the international political and financial support to Croatia depended to a considerable extent on the implementation of the Washington agreement. He said that the attempt to destabilize the Croatian parliament had somewhat affected Croatia's international position.

[Begin Granic recording] Foreign countries would certainly welcome a negotiated solution. The deepening of the crisis will certainly not benefit anyone and will be to the detriment of the Republic of Croatia. [end recording]

During the question time, Mate Granic said Croatia would definitely not extend the UN Protection Force's mandate unless it deployed its forces on Croatian borders with Serbia and Bosnia-Herzegovina to prevent armed provocations and ethnic cleansing. [passage omitted]

Satisfied With Italian Stance

LD2505170894 Zagreb Radio Croatia Network in Serbo-Croatian 1500 GMT 25 May 94

[Excerpt] [Unidentified correspondent] A Croatian Assembly House of Counties session was addressed today by Mate Granic, Croatian deputy prime minister and foreign affairs minister, who delivered a report on current Croatian foreign policy issues. In his address he stressed that Croatia had good relations with almost all neighboring and European countries. Official Italy has contributed to this, he said, by denying worrying statements made by Italian neofascists regarding Croatia's territorial integrity.

For Croatian diplomacy, the most important task at the moment is to achieve the simultaneous resolution of the crisis in Bosnia-Herzegovina and the reintegration of UN Protected Areas into the legal system of Croatia, while the sanctions against Serbia ought to be linked with the progress reached in negotiations on UN Protected Areas. He warned that the UNPROFOR [UN Protection Force] mandate will not be extended if its troops are not deployed along Croatia's borders with Serbia and Bosnia-Herzegovina, and unless it prevents ethnic cleansing.

Minister Granic assessed the Vienna agreement on the implementation of the Washington Agreement as being extremely important for Croatia and stressed:

[Begin Granic recording] The Zagreb cease-fire agreement is supported by all countries and by international financial institutions. We must carry out our diplomatic activities carefully, and gain support from international factors for all activities that we will be undertaking in connection with UNPROFOR. But the key issue is how the Washington Agreement is going to be implemented. [end recording]

[Correspondent] In continuation, the Chamber of Counties rejected a demand by the opposition parties for a no-confidence motion in the culture and education and defense ministers to be put on the vote, but demanded a report on the set-up of the Croatian Army and results of an investigation into the explosion at the Duboki Jarak munitions dump. [passage omitted]

RSK Serbs Want Talks With Croatia in Geneva

LD2505212494 Belgrade TANJUG in English 2104 GMT 25 May 94

[Text] Knin, May 25 (TANJUG)—The government of the republic of Serb Krajina (R.S.K.) remains by its stand that negotiations with Croatia should be held in Geneva, because this secures the R.S.K.'s equality in the negotiations, R.S.K. foreign minister Milan Babic has told TANJUG.

"By conditioning the venue for the negotiations, Croatia is trying to impose a political approach which does not comply either with the principles which we have advocated, or with the building up of mutual confidence founded on interest," Babic said on Wednesday, after an R.S.K. government session. He expressed regret that the deputy co-chairmen of the conference on former Yugoslavia had not yet found a compromise solution for overcoming this problem, but were holding out solely for proposals by the Croatian side.

The key to the final resolving of relations with Croatia is in the recognition of the R.S.K. by the international community and in the signing of a peace accord with Croatia on that basis, Babic said.

SNS Leader Claims Serbs 'Citizens' in State

AU2505190094 Zagreb VJESNIK in Serbo-Croatian 18 May 94 p 8

[Report by Igor Vukic: "'Rights of the Serbs Are Still Being Denied,' Says Djukic"]

[Text] Zagreb—The Serbs are second-class citizens in Croatia, their position is similar to that of black people in the Republic of South Africa during apartheid or of the Indians in the United States. Those were the words of Milan Djukic, president of the SNS [Serbian National Party], describing the position of members of Serb national community at a press conference on Tuesday.

As usual, he substantiated his words by many concrete examples: The Serbs are still being evicted from their apartments, they are being denied their rights deriving from labor relations (under the guise of "rationalizing state offices"), their houses are still being blown up, courts do not provide adequate legal protection. Furthermore, Djukic says that perpetrators of the crime in Pakrac, Pakracka Poljana, and Gospic have still not been punished: "People who did not take part in fighting were taken away from their homes and killed in cold blood," those responsible for blowing up the Museum of the Orthodox Church in Nova Gradiska "situated right next to the police station" have not been found either. As to the "Zec case"—"why has the president of the Republic not reacted before..."—the authorities tolerate newspapers (Vinkovac HRVATSKI VJESNIK) that arouse national hatred and openly call for lynchings. It is not only common workers and members of the middle class that have problems at work, top internationally recognized experts encounter them as well: at the Sisters of Mercy hospital, applications were invited for the position of the head of the Diagnostics Department and its founder, who is a professor at the School of Medicine with all the necessary qualifications, applied. His only fault was that "he chose the wrong parents for himself." "His application was rejected and another vacancy was opened, suitable for another, "suitable" person, who got the position," said Djukic.

"The nonfunctioning of the rule-of-law state, in addition to the constant defamation of the Croatian Serbs in the media (Djukic also mentioned the "Rovinj case"), does not contribute to finding peaceful solutions and to the reintegration of the UNPA [United Nations Protected Area] zones into the Croatian legal system," SNS members say. They brief the government and the president of the Republic on their problems and Milan Djukic says that they "sometimes do something about it, especially when a particular minister can do that himself, but the problem lies in the malfunctioning of the rule-of-law state and in the discriminatory actions of civil servants, especially of those at lower levels.

Djukic also said that requesting the Serbs in Croatia to swear the so-called allegiance is another "act of discrimination." "Why are only some Croatian citizens asked to do that," wonders Djukic reminding of the activity of his party and especially of his petition "For Peaceful Coexistence in a Democratic and Sovereign Republic of Croatia," which was signed by more than 13,000 Serb citizens in August 1991. "We will not react to provocation, but we will demand a comprehensive parliamentary discussion about the position of the Serbs in Croatia and try to reach solutions that will be acceptable to everyone," said Djukic.

Assembly To Look Into Letter to U.S. Congress

LD2605103594 Zagreb Radio Croatia Network in Serbo-Croatian 0900 GMT 26 May 94

[Text] The Croatian Parliament's Chamber of Counties has resumed its work. It is debating a draft law on income taxation. The House of Counties is also expected to discuss the remaining nine points on its agenda today. Opposition deputies are not taking part in today's session, which is scheduled to begin at 1300. The interparty consultations are expected to begin at 1130. We have learned unofficially from Deputy Ivan Matija that the opposition will suggest to the HDZ [Croatian Democratic Community] at these consultations that a parliament inquiry should be launched into a letter allegedly sent to the U.S. Congress by Mesic and Manolic.

Federal

Government Condemns Cairo Statement on Bosnia

LD2505192194 Belgrade TANJUG in English 1528 GMT 25 May 94

["Pool" item]

[Text] Belgrade, May 25 (TANJUG)—The Foreign Ministry of the Federal Republic of Yugoslavia (F.R.Y.) on Wednesday expressed its embitterment over Cairo's conduct and assessed Egypt's accusations that the F.R.Y. is accountable for the war in the former Yugoslav Republic of Bosnia-Herzegovina as "senseless and irresponsible". Egyptian Foreign Minister 'Amr Musa on Tuesday said Egypt would not invite the F.R.Y. to take part in a conference of the Non-Aligned Movement (NAM) to be held in Cairo from May 31 to June 3, stating without any arguments a series of shocking accusations about the F.R.Y.'s alleged involvement in the civil war in neighbouring Bosnia-Herzegovina.

"The Egyptian foreign minister's statement is unacceptable and does not comply with the actual state of affairs," officials of the F.R.Y. Foreign Ministry told TANJUG. "His explanation and arguments have been long surmounted, not only by reality and truth which is pushing its way despite the media campaign against the F.R.Y., but also by the events such as a ministerial meeting of Russia, the European Union and the U.S. on Bosnia-Herzegovina in Geneva on May 13," the same sources said.

The F.R.Y. Foreign Ministry set out that it interpreted Egypt's decision as a gross violation of the agreement on the F.R.Y.'s participation in the NAM meetings when crisis in the former Yugoslavia is discussed and as a misuse of the role of the host at the NAM ministerial meetings.

"We interpret that decision as a wish to have the NAM openly sided with the Moslems in the civil war in Bosnia," it was said in the F.R.Y. Foreign Ministry. After the NAM summit in Jakarta, a so called gentlemen's agreement was drawn up under which the F.R.Y. has a full right to actively participate in the NAM meetings, at which either the crisis in the former Yugoslavia or other topics are being discussed.

Egypt defaulted regarding the New York agreement and acted in an ungentlemanlike way. An obvious intention is to exclude the F.R.Y. from the NAM, but this would require a full consensus. The Islamic bloc in the NAM is trying to persuade, first of all the non-aligned countries of the black Africa to join the bloc of the "friends" of the Bosnian Moslems.

Kontic: Sanctions Hindering Peace Process

LD2505174294 Belgrade TANJUG in English 1625 GMT 25 May 94

["Pool" item]

[Text] Belgrade, May 25 (TANJUG)—Yugoslav Prime Minister Radoje Kontic said on Wednesday [25 May] that the further maintenance of the U.N. sanctions against Yugoslavia was not conducive to a peaceful settlement of the crisis in the territory of the former Yugoslavia, because they encouraged the Bosnian Moslems to continue waging a war. According to international law, the introduction of the sanctions was illegitimate and contrary to the humanitarian law, discrediting the United Nations, Radoje Kontic told domestic and foreign journalists from 22 countries, who participated in the international conference on a new world order and mass communications in Budva, Montenegro, from May 20-22.

Ever increasing announcements on unilateral lifting of the U.N. sanctions by Yugoslavia's neighbouring countries and traditional economic partners, which suffer great blockade-induced losses, also discredit the world organization, Kontic said. The United Nations in May 1992 imposed comprehensive sanctions against Yugoslavia (Serbia/Montenegro) for its alleged involvement in the civil war in the former Yugoslav Republic of Bosnia-Herzegovina (BIH). Kontic said that Yugoslav government accepted and appreciated every peace initiative which equally treated all three sides in the civil war in Bosnia-Herzegovina, and those settlements which respected interests of all the three warring peoples.

Efforts towards achieving a permanent ceasefire and signing a peace agreement would have to include lifting or, at least, easing the sanctions against Yugoslavia, because this is also part of the peace process, Kontic said. Kontic conveyed Yugoslavia's stand towards a political settlement of crisis in relations between Croatia and the Republic of Serb Krajina (R.S.K.), which envisages a cessation of hostilities, gradual strengthening of broken economic and other ties between the warring sides, and, in the end, a political settlement of their mutual relations.

The Croatian side, due to a split within Croatia's ruling party and its other internal problems, has lately showed signs of impatience and nervousness, Kontic said and warned about unacceptable setting of conditions and prejudiced peace settlements imposed by Croatia. Speaking about the Yugoslav programme of economic revival of the country, Kontic assessed it to be in many aspects unique in the world, because it is the first time that the economy is being reinvigorated under the conditions of rigid sanctions and in isolation from favourable affects by the world market.

The Yugoslav Federation, comprising Serbia and Montenegro, is for the open market economy. Yugoslavia will pursue an independent foreign policy in the next period and will link it neither to NATO, nor to any other military alliance, Kontic answered a journalist's question. In explaining the status of Yugoslavia in the Nonaligned Movement, Kontic said that Yugoslavia was still a member of the movement and that it had so far been invited to all meetings. He stressed that after Indonesia had begun to chair the movement, Yugoslavia was not invited to the ministerial conference being held in Cairo.

Indonesia has openly sided with the Bosnian Moslems and against the Serbs in the civil war in Bosnia. The Egyptian foreign minister in Cairo tried to accuse Yugoslavia of being involved in the Bosnian conflict and to expel it from the movement which was cofounded by Yugoslavia.

Minority Rights Minister Meets Hungarian Envoy

LD2505162794 Belgrade TANJUG in English 1112 GMT 25 May 94

[Text] Belgrade, May 25 (TANJUG)—Yugoslav Human and Minority Rights Minister Margit Savovic, who has met with the charge d'affaires at the Hungarian Embassy in Belgrade, Andras Vincze, hailed the Hungarian proposal that the two countries' experts meet to exchange experiences on the resolution of the status of their national minorities. Savovic informed Vincze about the comprehensive preparation of a federal law on minorities in Yugoslavia, the Federal Information Ministry announced.

The two officials also discussed the effects of the international sanctions on the living conditions and health of the Yugoslavs and the problems in ferrying humanitarian aid via Hungary. Vincze said that Hungary, as a member of the United Nations, is obliged to honour its decisions, but is doing everything possible to facilitate the transport of relief aid to Yugoslavia. He said that last year 12,000 trucks carrying humanitarian aid had passed through Hungary, and that there had been problems only in four-five cases due to a lack of adequate documentation.

Russian Patriarch Failed To Promise Assistance

AU2505205894 Podgorica MONITOR in Serbo-Croatian 20 May 94 pp 4,5

[Article by Miodrag Vukmanovic: "Substitute for Yeltsin"]

[Text] The visit paid by Russian Patriarch Aleksiy II to the Serbian Orthodox Church was announced as a first-class international event. Television moderators, even those who were reminded of "an internal enemy" by the sound of church bells in earlier times, competed in who would speak with more inspiration and piety about his highness. The arrival of the patriarch of Moscow and Russia was interpreted in "all Serbian countries" as a diplomatic substitute for what the Serbian politicians with a strong affinity to Russia expected from President Yeltsin, who—allegedly out of fear of the West—does not want to support his Serbian brothers openly. Numerous representatives of the "Russian people"—political vagabonds and senile officers of the former Red Army who toured Serbia, Montenegro and the self-proclaimed republic of Srpska during the last war years, inciting the Serbs to rebel and make terror by promising them senseless things and raising false hopes of the almighty Russian protection—could not fulfill the requirements set by their host.

The Difference

Now everyone is raising hopes in the head of the Russian Church, which is still a mighty institution with a good political rating—although democracy separates the church from the state—because of the repression it was exposed to during the long period of the Soviet leadership.

Patriarch Aleksiy II is an outstanding church dignitary who uses well-measured words and gestures, as is appropriate for a man of his rank.

This is what constitutes the difference between him and his hosts, the Serbian rulers, whose prayers and public announcements are full of a certain hatred and false generosity and whose peace messages sound as if they were uttered under pressure, which has in no case come from God. The shepherds of the people of Saint Sava [Serbs] are probably not very happy to express their humble respect for their brother who is partially of German origin.

Immediately after his arrival in Belgrade, the Russian patriarch said that the task he would like to accomplish within his mission was to end the bloodshed and solve all problems at the negotiating table. Variations of the same sentence were also included in other official statements issued in connection with the conversation between the two patriarchs. It was noticed that both dignitaries wanted to include all parties to the conflict in their peace message, that they did not want to blame only one party to the conflict, or to differentiate in any way between God's unrighteous children. This is the point that will make many people mistrust the sincerity of Aleksiy's mission. In the spirit of "gospel etiquette," [Serbian] Patriarch Pavle advised his nation: "Do unto others as you would have them do unto you!" There is the danger, however, that many Serbs who can read and write will find a typing mistake in this Bible message.

It will probably never become known what the dignitaries of the two Orthodox churches, in the present situation of huge national frustrations in their countries, discussed in private and with their closest assistants. Both churches have very delicate relations with their respective state leaderships. The Saint Sava believers from Pale are closer to the Serbian church than "the freshly refurbished" communists in Belgrade, regardless of the privileges they returned to the church. Its leadership fears that any concession to the West that would leave some of the Serbs in the domain of a mighty Catholic or Muslim influence would be a danger to the Serbian national entity that is derived from the Orthodox religion.

Keeping Up With the West

Through many schisms since the 17th century, through Peter's reforms and the Catholic influence under Polish rule, as well as through the contact with Scandinavian Protestantism in its neighborhood, the Russian church has actually kept up with the West. The appearance of the "Asiatic" orthodoxy after the collapse of communism is not a logical spiritual continuation of the Russian state religion. It is rather an anarchist protest of "the crazy with Christ," which is used as an explanation for unbelievable moves the red and the black are making in the present Russia. As far as help for the Serbs is concerned, the restrained behavior of the Russian patriarch is not caused by his neutral attitude toward the warring factions in the Balkans; it arises from his consultation with the Russian state leadership. It is not difficult to notice that the patriarch's messages for peace and his insistence on negotiations correspond to what has been concluded in ministerial meetings in Geneva. It was obviously made clear to the Moscow patriarch what the limits of help for the Serbs are.

After the meeting with Milosevic, the patriarch did not spend many compliments on his conversation partner. This points to the possibility that the conversation was predominantly informative and strictly official, accompanied by conventional phrases about the traditional friendship between the two countries. When travelling to Pale, the Russian patriarch was accompanied by persons who were, with good reason, heavily accused by Russian diplomats, which has to be interpreted as a part of the inevitable protocol. It is not probable that the Pale leadership will hear from the head of the Russian Church something different from what his hosts in Belgrade heard. What they heard can be guessed at, based on the speech delivered by Serbian Patriarch Pavle in which he reminded his listeners of the time of Arsenije Carnojevic and his petition for mediation at the Austrian Court when Russia "was not able to do anything in order to help the Serbs." "The Serbs understood" and kept on loving Russia. They will probably understand this time also.

Energy Situation in Serbia, Montenegro

94P20791A

[Editorial Report] A leading Belgrade economic weekly has predicted that it will be difficult for the Federal Republic of Yugoslavia (FRY) to sustain the record level of energy production reached in the past two years. An article in the 11 April issue of EKONOMSKA POLITIKA said that the "achievements" of the past two years will be difficult to repeat even though the FRY has assigned the highest priority to energy production.

Assessments of 1993

Maintaining such a high level would be a very tall order for the economically impoverished energy producers, which incurred huge losses in 1993 as a result of inflation and the government's price policy, EKONOMSKA POLITIKA analysts reported in the journal's 25 April issue. Oil companies lost tens of billions of dinars, with the exception of Beopetrol, formerly a branch of the Croatian oil company INA, which, besides earning 243 billion dinars from the sale of oil derivatives, made a profit of 2.6 trillion dinars from financial transactions in 1993.

Analyzing the performance of the Serbian electric power industry, EKONOMSKA POLITIKA assessed 1993 as "the most difficult period" for the Republic's power companies "since electricity first arrived in Serbia," with losses amounting to 884 million German marks (DM). When domestic and foreign debt, depreciation, "and so on" are added, the losses approach DM2 billion. EKONOMSKA POLITIKA blamed the government policy of low energy prices for this "dismal" result, explaining that "sales contributed only 1.56 percent of total revenue, with everything else coming from the consumption of raw materials and capital." Therefore, the weekly maintained, companies lacked funds for spare parts and maintenance, resulting in frequent malfunctions, outages, reduced productivity, and safety violations. Electricity production, for example, declined from a record high 37 billion kwh in 1989 to 30 billion kwh last year. It should be noted, said the weekly, that during this period the structure of consumption changed, with industrial usage declining 48 percent while household use rose by almost 50 percent.

Seasonal Demand

Another problem mentioned by EKONOMSKA POLITIKA was the seasonal fluctuation in energy demand, which ranges from an average daily consumption of 60 million kwh during the warmer months to a surge of 130 million kwh in the peak winter season when electricity, as the cheapest source of energy, is used for heating. At present price levels, the electric industry will experience additional losses and be unable to "repeat the success of the last year" in satisfying high consumer demand. While the government works on a new, more rational pricing structure and the reorganization of the energy sector, EKONOMSKA POLITIKA warns, a "crisis" looms.

Diesel Fuel Shortage

A shortage of D-2 diesel fuel has already affected spring sowing, reported the same issue of EKONOMSKA POLITIKA, citing figures from a study conducted by the Yugoslav Chamber of Commerce. According to the study, the agricultural sector needs 105,000 tons of fuel for the March to June period—25,400 tons of that total in March and 40,000 tons in April. In March, however, domestic oil producers delivered only 5,400 tons. Between 1 January and 21 March, the government imported 13,000 tons of the fuel. Taking into account existing fuel reserves estimated to amount to 15,000 tons, EKONOMSKA POLITIKA concluded that the agriculture sector is short 71,600 tons of D-2 diesel fuel for the first half of 1994, with only 32 percent of its requirements covered. Therefore, the sector will have to receive increased allocations from domestic suppliers and from imports.

Fuel Supplies

The same issue of EKONOMSKA POLITIKA dismissed reports that Serbian firms were testing so-called "eko-mer," a new, environmentally friendly fuel "made from domestic agricultural raw materials employing domestic technology," as "nice news...which unfortunately will not solve our problem." It also reported that the Pancevo oil refinery and the Belgrade firm Jugopetrol had decided to stop producing and selling 98-octane premium gasoline because they cannot import the additives needed to produce it. Beginning 11 April, the refinery was to produce only 95-octane gasoline containing 0.4 percent lead.

Serbia-Montenegro Discord

The shortage of oil has had an impact on relations between Serbia and Montenegro, according to the 29 April issue of the Belgrade daily POLITIKA. Montenegro is demanding that oil produced in Serbia be sold not only in Serbia but also in Montenegro, which is otherwise entirely dependent on imports. POLITIKA reported that Montenegro needs 300 tons of gasoline and 1,800 tons of diesel fuel per month to satisfy the demands of its priority consumers: hospitals, schools, health centers, the police, and farmers. The Federal Crisis Center has proposed that Montenegro receive 6 to 7

percent of the total oil supply—too much, judging by Serbian reactions, and too little, according to Montenegrin demands, the paper reported.

POLITIKA believes, however, that Serbian and Montenegrin leaders will conclude an agreement and that Montenegro will be receiving Serbian oil derivatives by June. In return, the paper noted, Montenegro will be expected to invest some of its tourism income in oil production in Serbia's Vojvodina Province, because Montenegro cannot "seriously make claims on the federation and at the same time ignore its obligations to the federation." POLITIKA contrasted the discord over the oil supply to the "exemplary" cooperation between the Serbian and Montenegrin electric power companies, which function as an integrated electric-energy system.

Roundtable on Building Materials Industry

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["Summary" of an item appearing in the 2 May issue of TEMELJI USPEHA]

On 21 April, 1994, a round table was held in Belgrade. The topic was "The Building Materials Industry: Foundations of Success". The gathering was organised by Ekonomska Politika and the Kondor Holding Company of Belgrade. It was attended by some 15 directors of the most renowned firms in that field, as well as representatives of the Federal, Republic of Serbia and City of Belgrade administrations.

Two reasons determined the title of the round table. First, participating in it were only good firms, i.e. those which not only survived in times of trial in spite of the blockade, but succeeded in achieving more or less good business results. The second, possibly more important reason, was to some extent symbolic. Namely, the building materials industry has been among industries which have their own raw materials base, depend on imports of energy only, i.e. crude oil and natural gas. That means that after the lifting of sanctions imposed by the United Nations they could become one of the foundations of, and give momentum to economic recovery of the country. Therefore, the voice of businessmen from that industry appears to be relevant in considering both present economic conditions and those which will occur when Yugoslavia reenters into the international community.

The first participant in the discussion, Mr. Jovan Bogicevic, assistant federal minister of the construction industry, in charge of that industry, spoke exactly in that sense. Mr. Bogicevic pointed out the great significance of that industry in our country. Its share of the social product before the economic crisis, i.e. 1981, amounted to some 11 per cent, which is characteristic of developed countries, although Yugoslavia does not belong among them, while the construction industry's share in developing countries amounts to 5-6 per cent. Unfortunately, Mr. Bogicevic stressed, that share started falling after 1981. so that it amounts to some 5 per cent now.

Overcapacity has been a special problem. Most facilities had been built having in mind the market of the former Yugoslavia. In view of their capacity even that market had been too small. Today, when Yugoslavia has been halved, that overcapacity is even more visible. However, another circumstance prevents that disproportion to fully tell. Shortages of natural gas and heavy heating oil result in underutilization of those capacities so that some products have been in short supply on the market. That refers in the first place to cement, which for that reason has been more expensive in Yugoslavia than in many other countries, including some neighboring ones.

Brick, roofing tile, ceramic tile and similar products manufacturing are in a rather different position although they also have been working only a few months a year due to energy shortages. Their problem has been the lack of demand so that they have large stocks of products. Economic recession caused the fall of investment activities, especially of private housing construction that used to absorb some 80 per cent of their output, so that those factories practically remained without their market. Because of that several participants in the discussion warned that in such a case the orientation to stimulating demand was better than stimulating production, as, e.g. giving credits to individuals who would build houses would almost automatically stimulate production as well.

Mr. Karolj Kasas, director of the firm Potisje in Kanjiza, spoke in particular of the significance of a stable dinar, as a stable currency enabled long term thinking and planning. "However, Mr. Kasas emphasized, a stable dinar will be useful in the best meaning of the word if manufacturers will be able to get credits for new programs, for the reconstruction of production lines and construction of new facilities". [quotation marks as published]

Mr. Sreten Ilic, director of the firm Vunizol of Surdulica, which manufactures thermoinsulating materials, pointed in particular to a, in his opinion, paradox. On the one hand it has been mentioned that the easiest way of reviving the economy was through the construction industry as many other industries were linked to it. On the other hand when concrete talks are initiated, the answer is that there is no money. Mr. Ilic therefore requested the federal and Serbian governments to precisely say what they have in mind doing, to say whether they have investment programs, whether those are public works or something else.

Directors participating in the round table however did not blame external sanctions and blockades as the essential limiting factor of development. In fact, much more was said about internal obstacles in the form of excise duties, personal income taxes, etc. The unanimous judgment was that such high taxes could not be easily borne even by a much stronger economy, situated in better economic and political conditions.

Prices of construction materials industry products and their sales have been heavily burdened by transport costs. A very illustrative example in that respect was presented by Mr. Tomislav Vasovic (1st May of Cacak). That firm has been buying stone, ground and assorted, at YUD20.00 [Yugoslav dinars] per ton while transport from the quarry to Cacak,

some 100 km away, costs another YUD30.00 perton. The general conclusion was that with such prices of transport it was very difficult to be competitive on the world market, as it will be on the domestic market as soon as borders open.

Mr. Milan Milatovic, director of the firm Mermer of Danilovgrad, spoke from his angle about bureaucratic obstacles which prevented development of the raw material base. That factory was lucky that after Yugoslavia's disintegration it remained practically the only manufacturer of stone on the territory of the new state. Thus there has been no problem with sales, the problem being how to satisfy all needs. But, Mr. Milatovic said, while in neighboring Italy only two papers were needed to open a new site, in Yugoslavia one had to pay YUD100,000.00 to get those papers.

Mr. Ranko Zizic, director of the Kondor Holding Company, spoke in particular about results achieved in substituting products manufactured in some ex-Yugoslav republics or abroad. That firm has been specializing in hydro and thermo insulation programs, building construction chemistry, flooring and ceramics. Regardless of the relatively large number of factories in that field however, Mr. Zizic stressed, there have been many products whose manufacture has not been mastered, although there is no reason why they should not be produced in our country. Raw materials for many of them exist on the spot and they had been purchased here by many, transported, e.g., to Slovenia, where some additives had been added, they were packaged again and then returned to be sold on this market. Initial results achieved in that field have been significant but not sufficient. There has been much space and many products which could be manufactured by local factories, of course on the same footing as regards prices and quality with those found on the world market.

Finally, several participants in the discussion stressed the necessity to preserve existing factories in order to prevent that after sanction are lifted (and judging by vistis of foreign partners some have been forecasting that that need not be so far away) we would be forced to import products for which we have not only raw materials but also know how and most advanced technology.

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